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Survival of MGM studio in doubt say auditors

The survival of MGM, the once legendary Hollywood studio now financially crippled by heavy debts and a lengthy legal dispute over ownership, was questioned by KPMG Peat Marwick, the company's auditor.

In a report on MGM's 1991 results, which showed a total loss of \$347.4m on revenues of \$921.7m, the auditor questioned whether MGM would be able to continue as "a going concern". The studio is in default on \$600m of loans from Crédit Lyonnais of France and is dependent on it for capital to fund operations. Page 15

European bank under fire
East Europeans attacked the European Bank for Reconstruction and Development for failing to meet the region's financing needs. In its first year the bank approved about 20 projects. Page 14

Wall Street surges: Stock prices surged to record levels on Wall Street after IBM and several brokerages reported strong earnings. The Dow Jones industrial average rose 36.23 to 3,306.13. Page 38; IBM ends decline, Page 15

Pay deadlock: Germany's power struggle over pay has entered a critical phase following the collapse of negotiations between the government and public service unions. The unions are calling strike ballots for next week. Page 14; Bank chiefs sound pay warning, Page 3

Bond bankrupt: Alan Bond, the Australian entrepreneur whose flamboyant rise was matched by an equally dramatic fall, was declared bankrupt after a legal battle lasting almost a year. In the mid-1980s, Mr Bond was estimated to be worth more than A\$100m (\$76m). He won the America's Cup for Australia, and in 1987 was named Australian of the Year. He now faces criminal charges in Perth and is the subject of inquiries into alleged corruption. Page 4

Retail sales fall: US retail sales fell 0.4 per cent last month, raising fresh doubts about the momentum of economic recovery. The decline was the first since October and the largest for seven months. Page 6

Appeal on Gatt: The deteriorating global economic climate and higher unemployment as business initiatives have stalled can be blamed on the Gatt trade talks stalemate, say nearly 120 leading businessmen in a joint letter published in today's FT. Page 13; Secret move, Page 6

Labour race under way: The opening shots in the battle for leadership of Britain's opposition Labour party were fired as clear differences emerged between the two contenders. Page 7; Government shake-up, Page 7

Output boost: Hopes the UK economy might be recovering from recession were given a boost by news that industrial production and manufacturing output increased by 1.1 per cent in February. Page 14 and Lex; Earnings, Page 7

Car sales down: New car sales fell to an estimated 1.34m in western Europe last month, a 1.7 per cent decline on March 1991. The fall follows three months of small year-on-year increases. Page 3

Soldier dies: A British soldier shot in the head at point-blank range in Derby died in hospital. The Irish National Liberation Army said it was responsible for the killing.

Michelin, the world's largest tyre maker, reported a sharp reduction in net losses last year from FFr4.81bn (\$858m) to FFr699m. The group attributed the improvement to tighter stock control and job cuts. Page 15

Olympia & York's biggest creditor Canadian Imperial Bank of Commerce is confident the property developer's debt troubles will have only a limited impact on its earnings. Page 15

BA sues Virgin: The bitter battle between rival airlines British Airways and Virgin Atlantic Airways intensified when BA announced it is to sue Virgin and its chairman Richard Branson for libel. Page 7

Société Générale, one of France's biggest private sector banks, saw profits grow 25.8 per cent in 1991 from FFr2.68bn (\$479m) to FFr3.37bn. Profits fell sharply in 1990 because of bad debt provisions. Page 18

Eurocrat's target: A Brussels court sentenced a European Community bureaucrat to three months in jail and fined him \$660 for firing a machine gun at a car which overtook him.

Russian government wins chance to stay in power

By Leyla Boulton in Moscow

THE Russian government yesterday appeared to secure a hard-won compromise with parliament, allowing it to remain in power and pursue unpopular economic reforms at least in the short term.

The compromise document, adopted by deputies as a basis for discussion, will be final only if it is approved without major amendments today. But the political pressure for an agreement is so strong that it is unlikely the deputies will seek to reject it.

The draft accord, presented by Mr Yegor Gaidar, the first deputy prime minister responsible for economic reform, and Mr Vladimir Shumeiko, parliament's deputy speaker, frees the government from having to carry out parliament's demands for specific policy changes.

Without stating so explicitly, it also allows President Boris Yeltsin, who currently heads the cabinet, to keep until December 1 his powers to rule by decree, and to choose ministers.

The deal was achieved partly thanks to Mr Gaidar's warnings that a western aid package of \$24bn needed to underpin his reforms – \$18bn in balance-of-payments assistance plus \$6bn for a fund to stabilise the rouble – could be lost if the government was forced to resign or change course.

The western package now seems safe pending any further upsets. But western concern over the turmoil in Moscow was underlined with a visit to Moscow yesterday by Mr Nicholas Brady, the US Treasury secretary.

Speaking before the compromise was announced, Mr Brady said: "The matter of world confidence in a reform programme here in Russia is one that is very important in terms of the transfer of money to this country. Some of the steps we have read about this week are steps backward in generating that confidence."

Mr Mikhail Gorbachev, the former Soviet president, added his weight to the reforms, saying the future of world civilisation depended on their success.

Speaking to academics and businessmen in Tokyo, he appealed for investment in Russia. "It is very important for the global community to support this process of reform."

The document's main concession to deputies commits the government to submit by May 20 a list of measures to take "into account economic and social realities". Mr Gaidar pleaded: "We need understanding from deputies that we cannot solve all the problems but only what is within our possibilities." He told parliament he believed a majority of deputies favoured effective interaction with the executive.

"There are politically ambitious people ... who want to hurt Russia, but this is a misleading path," he added. This was an apparent reference to Mr Ruslan Khasbulatov, the parliamentary chairman who has been instrumental in this week's showdown with the government.

The MPs' strongman, Page 2

China gives green light to takeover of Midland

By Alexander Nicoll and David Barchard in London

CHINA indicated yesterday it would not hinder Hongkong and Shanghai Banking Corporation's planned £3.1bn (\$5.4bn) takeover of Midland, the UK's third largest bank, although it repeated its demand that the bank continue to play a full role in Hong Kong's economy.

The Chinese did not comment on the takeover terms which Hongkong Bank announced yesterday, but it was the clearest sign yet the deal would not be opposed by Beijing.

Most response so far, including some vehement criticism, has come through the official media or newspapers in Hong Kong sympathetic to the communist government.

Yesterday, however, the Beijing government said through its London embassy that the deal was "an internal affair for these two banks".

The offer, which Midland is recommending to its shareholders, would make the UK bank one of six main subsidiaries within an enlarged Hongkong and Shanghai holding group. It would retain its own board and senior executives, and its name.

The takeover would make HSBC group the second largest bank in the world outside Japan, with total assets of £145bn and 3,300 offices in 68 countries. HSBC Holdings, the Hongkong Bank's parent, is already legally based in London. It plans to move group management to London in January.

HSBC will also apply for a primary listing on the London stock exchange, making it eligible for the FT-SE 100 index. It will retain its primary listing in Hong Kong.

HSBC would issue 704m new shares and £704m in bonds to pay for Midland. The UK bank's shareholders will be offered one share in the HSBC holding company and £1 in HSBC bonds for each Midland share, giving them about a third of the new group.

Mr Brian Pearse, Midland chief executive, said he had concluded that the takeover would give Midland, the weakest of the Big Four English clearing banks, the extra capital strength it needed.

Mr Pearse emphasised that, if the takeover did not go through, Midland would be strong enough to survive on its own. HSBC bought 14.9 per cent of Midland in 1987 and the two banks began to merge some of their international operations.

HSBC shares in Hong Kong ended 25 cents down at HK\$39.25 (288p). In London, Midland shares fell 7p to 365p, against the 378p value of the offer. Before talks between Midland and HSBC were announced in March, Midland shares were trading at 253p.

The Kuwait Investment Office tried unsuccessfully yesterday to place 60m Midland shares. The placing would have reduced the KIO stake from 10.5 to about 3 per cent.

The biggest gamble, Page 12
Lex, Page 14
Details and background, Page 16

Offer to surrender Lockerbie suspects unlikely to avert embargo

Sanctions on Libya start today

By Tony Walker in Cairo, Michael Littlejohns at the UN and Ronald van de Krol in The Hague

UNITED NATIONS sanctions against Libya, including an arms and air embargo, are due to start today in spite of last-minute manoeuvring by Tripoli to stop them.

The 15-member UN Security Council went into private consultations in New York last night with little hope of avoiding a showdown with the North African state.

Malta said yesterday it would agree to Libya's request to stage the trial of the two Libyans suspected of blowing up the Pan Am airliner over Lockerbie in Scotland in 1988. But UN diplomats saw this as a further attempt by Libya to sidestep the UN demand to hand over the wanted men for trial in the US or Britain.

Earlier yesterday the International Court in The Hague rejected Libya's plea to bar the US and Britain from taking punitive measures.

The court said that Security Council Resolution 748 imposing sanctions should override all other international agreements. President George Bush said the court ruling was "a very good decision".

Libya defiantly isolated itself from the world yesterday by declaring a "day of mourning" and cutting external air and telecommunications links.

The national news agency Jana said the "day of mourning" had nothing to do with the sanctions threat but was a mark of respect for the 37 Libyans who died in US bombing raids on Tripoli and Benghazi in April 1986.

"The Arab people, in commemorating this anniversary, wants to reveal that this Arab nation is the victim every day of terrorism and abhorrent racism," a statement issued by the Libyan embassy in Cairo said.

As the UN deadline neared, the Arab League pursued last-minute attempts to avert the imposition of sanctions. Dr Esmat Abdel Meguid, the Arab League secretary-general, said he hoped the offer by Malta to accept the two accused Libyans would help to defuse the crisis.

Mohamed Al-Faitouri (right), leader of the Libyan delegation, and Prof Suy, his Belgian legal adviser, share a joke during yesterday's session of the World Court in The Hague

The US and Britain are demanding the unconditional surrender by Libya of the two men suspected of the Lockerbie bombing, which killed 270 people.

France is also pressing Libya to grant it access to four Libyans, including Colonel Muammer Gadaffi's brother-in-law, for questioning about the 1989 downing of a French UTA airliner over Niger in which all 171 passengers and crew perished.

Most Arab states have indicated that they would reluctantly agree to fall into line with the UN air embargo, although both Egypt and Tunisia are planning to facilitate travel across their frontiers with Libya.

EgyptAir and Libyan Arab Airlines have agreed to begin shuttle services to airstrips on each side of the Egypt-Libya border. Tunisia is making similar arrangements.

Some 30 offices of Libyan Arab Airlines were expected to be closed worldwide and Libyan diplomatic representation will be thinned out under the terms of the UN resolution. The sanctions will not affect Libyan oil exports or shipping services.

It was also difficult to assess whether the arms embargo would cause Libya much inconvenience. The measures could mean the withdrawal of the estimated 2,500 military advisers from the former Soviet Union.

Japanese banks may fail capital adequacy targets

By Stefan Wagstyl in Tokyo

A JAPANESE banking industry leader yesterday expressed concern that the country's hard-pressed banks would find it difficult to satisfy international standards for capital adequacy.

Mr Kenichi Suematsu, chairman of the Federation of Bankers' Associations of Japan, said the recent plunge in the Tokyo stock market would make it hard for banks to comply with rules set out by the Bank for International Settlements (BIS). These rules are intended to ensure that banks have sufficient capital to back their loans.

Mr Suematsu's comments, although cautiously framed, amounted to a blunt assessment of the prospect of Japanese banks meeting BIS standards due to come into effect in March 1993.

Under BIS rules, Japanese banks are allowed to count as capital a portion of unrealised gains on stock portfolios. However, much of these profits has been wiped out by the fall in equities.

The Nikkei index of leading shares closed yesterday at 17,439.58, up 202.93 points, but down more than 50 per cent from its 1990 peak.

Mr Suematsu, who is also president of Sakura Bank, said that banks would be likely to meet the BIS standard of an 8 per cent capital-to-assets ratio as long as the Nikkei rebounded to 30,000. However, they would be unable to reach a ratio of 8.5 per cent – to allow for a margin of safety – unless the Nikkei recovered to 23,000.

Asked whether banks would cut loans to meet BIS standards, Mr Suematsu said it would be more natural for them to try to increase capital and to cut assets other than loans – for example, currency-dealing operations.

He added that the weak demand for loans in Japan was already helping banks to reach their desired ratios.

Mr Suematsu's remarks beg the question of what might happen if banks fail to meet BIS ratios. The international agreement covering capital adequacy carries no sanctions and is not binding on the countries that signed it, let alone on individual banks.

It is left to the regulatory authorities in each country to decide what action to take when banks fail to meet the standards. In Japan, this means the ministry of finance.

Given the complexity of the rules determining how to account for assets and capital, the ministry has some flexibility. However, it could not bend regulations blatantly since this could cause complaints from other countries. It would also undermine confidence in the banks.

As IBCA, a London-based rating agency, has said, it would be in nobody's interest for the ministry of finance to become "rigidly doctrinaire" and demand that banks should reach BIS standards whatever the cost.

To a large extent, BIS has already achieved its purpose in devising the ratios. These have encouraged banks to be more prudent in managing their assets, well before the rules actually come into effect.

US and European banks, which hoped the rules would curb the international expansion of Japanese banks, have also seen their aim fulfilled, albeit more drastically than they had expected.

The Markets

STOCK INDICES		
FT-SE 100	2,600.5	(+9.5)
Yield	4.88	
FT-SE Eurotrack 100	1,157.62	(+4.29)
FT-A All Share	1,246.82	(+0.5%)
FT-A World Index	136.67	(+1.4%)
Nikkei	17,439.58	(+202.93)
New York:		
Dow Jones Ind Ave	3,306.13	(+36.23)
S&P Composite	412.39	(+6.31)
US CLOSING RATES		
Federal Funds:	3¾%	(2½%)
3-mo Treas Bills: Yld	3.694%	(3.7%)
Long Bond	101¼	(101 11/32)
Yield	7.862%	(7.88%)
LONDON MONEY		
3-mo Interbank	10¼%	(10⅜%)
Liffe long gilt future:	Jun 99¼	(Jun 98 31/32)
NORTH SEA OIL (Argus)		
Brent 15-day (June)	\$18.85	(19.075)
Gold		
New York Comex	\$339.5	(339.2)
London	\$339.2	(341.0)

STERLING		
New York:		
\$	1.7635	(1.76235)
London:		
\$	1.7715	(1.7615)
DM	2.9125	(2.915)
FFr	9.8675	(9.8675)
SFr	2.66	(2.6675)
Y	235.25	(234.75)
£ Index	91.8	(91.7)
DOLLAR		
New York:		
DM	1.6547	(1.6525)
FFr	5.5995	(5.5965)
SFr	1.5225	(1.522)
Y	133.05	(133.045)
London:		
DM	1.6445	(1.6545)
FFr	5.57	(5.6025)
SFr	1.5125	(1.5255)
Y	132.75	(133.25)
\$ Index	64.6	(64.8)
Tokyo close Y 133.05		

Austria	Sch30	Hungary	Ft182	Malta	Lm0.50	S.Arabia	SR9.00		
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S\$4.10		
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200		
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14		
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00		
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50		
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000		
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000		
France	FFr8.00	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9.00		
Germany	DM3.30	Lebanon	L£1,250	Portugal	Es190				
Greece	Dr250	Lux	LFr60	Qatar	QR10.00				

CONTENTS

Fighting grows on Serb border with Bosnia

By Laura Silber in Belgrade

HEAVY fighting was reported yesterday in towns along Bosnia's border with Serbia, and hopes for a stable ceasefire were pinned on the arrival in Belgrade today of Mr Cyrus Vance, the United Nations special envoy.

Western diplomats said Serbs, who make up 31 per cent of Bosnia's population but claim 68 per cent of its territory, were trying to seize the towns along the Drina.

Fighting continued in Foca, where Sarajevo radio said artillery duels between Moslems and Serbs on Monday had set the 500-year-old Moslem bazaar on fire, and left many casualties. Belgrade radio said the Yugoslav federal army was entering Visegrad, southeastern Bosnia, where the predominant Moslem population had suffered heavy losses.

Croatian radio said Yugoslav army and Serb irregulars attacked the town of Livno, a predominantly Croat town, 110 miles east of Sarajevo. Sarajevo radio reported sporadic shooting in the Dobrinja region of Sarajevo, the capital of Bosnia, although fighting had appeared to ease in other parts of the republic.

The continuing fighting comes amid a backdrop of increasing racial intolerance and often vitriolic attacks on ethnic groups. This has been marked in Serbia where anti-Croat statements have come Mr Vojislav Seselj, a deputy who became a household name during the war with Croatia.

Mr Seselj is the most popular politician in Serbia after Mr Slobodan Milosevic, the Serbian president. Despite Mr Seselj's formal designation as a member of the opposition, critics say he is working in concert with Serbia's ruling Socialist Party.

Mr Seselj has publicly called for the deportation of Slovenes, Moslems, Hungarians and Albanians from Serbia, where Serbs make up two-thirds of the 9.7m population. Albanians and Hungarians, the largest non-Serbian national groups, in their birthplace find themselves denounced as foreigners.

His rising popular support has worried liberals in Belgrade. Mr Aljosa Mimica, a Belgrade academic, warned that Hitler had succeeded because no one perceived him as a serious threat.

Many Serbs also fear they might become victims in the climate of officially-endorsed intolerance. The government-controlled news programme last week broadcast Mr Seselj's call to sack 20 journalists because they are not Serbs or are "politically undesirable". Despite protests by opposition parties and prominent Serbs, his popularity appears to have been bolstered.

Anti-Yeltsin protesters in Moscow yesterday shout at Russian deputies who later elected Mr Ruslan Khasbulatov (right) as Speaker

Parliament's champion takes on Yeltsin

SCARCELY noticed by the outside world, Mr Ruslan Khasbulatov, the Russian parliament's powerful chairman, has been pulling the strings in this week's showdown between the government and parliament, writes Leyla Boulton in Moscow.

Although a tentative peace was reached yesterday without his involvement, he will remain a key figure after the dust settles from this conflict and the ground is prepared for an inevitable second round.

The cabinet, pushed to the brink of resigning by Mr Khasbulatov's attempts to be the key influence over both economic policy and the government, will today try to make the settlement of the reform issue as final as possible.

"I think he wants absolute power," warned one cabinet minister. "He wants to have the government under the full control of parliament, one that is his own."

Sometimes his behaviour is counterproductive, however. On Monday he described the government as "kids who had lost their nerve", causing such a storm that he felt he had to appear on nationwide television to apologise – and ended up aiding the government he was seeking to criticise.

Behind him stands a solid majority of deputies, elected under an antiquated electoral system which makes them fear for their survival in the new Russia. They initially refused to elect the former economics professor when his candidacy was put forward by President Boris Yeltsin last year, but they have now rallied round him because of his struggle for more powers for parliament.

Despite distaste for his often sharp and contemptuous behaviour, their interests now fully coincide.

As Russia's parliamentary chairman, Mr Khasbulatov has greater powers than a western-style parliamentary speaker, especially in the legal limbo while Russia decides a new constitution.

For months he has carefully cultivated all the interest groups – from state industry to collective farms to ethnic minorities – which have been alienated or hurt by the radical market reforms of Mr Yegor Gaidar, the first deputy prime minister. Making much of his own background in economics, his claims of less painful ways to build a market economy have found lively support.

Mr Plotnikov said Mr Khasbulatov was now intent on distancing parliament from the government which he described as "a deadweight which would drown any swimmer". "This cabinet is clearly doomed to go – but only sometime this autumn. At that point it will have to be replaced by others because the population of Russia does not approve of being dragged through such misery."

Mr Khasbulatov has little respect for democratic niceties, saying of Moscow's directly-elected mayor: "We can remove him as easily as we installed him."

Such a fate might one day befall him. Asked if Mr Khasbulatov could win, Mr Pyotr Filippov, a radical deputy, says: "In the short-term maybe but not in the long term. The president needs to deliver just one blow."

Ukraine to resume nuclear transfers

UKRAINE is to resume transfers of tactical nuclear weapons to Russia for destruction, Mr Anatoly Zlenko, the country's foreign minister, said yesterday, Reuter reports from Kiev.

Mr Zlenko said the transfers would resume in "the coming days," but gave no date.

The suspension had widened divisions with Russia over military policy and brought a sharp response from the West.

The cessation had threatened the Start treaty between the Soviet Union and the US to slash nuclear arsenals and heightened concern inabout the former Soviet nuclear arsenal slipping out of control.

Parliament leader in enclave killed

Gunmen yesterday assassinated Mr Artur Mkrtchyan, the head of parliament in Nagorno-Karabakh, an Armenian-populated enclave of Azerbaijan fighting for self-rule, Reuter reports. Over 1,500 people have been killed in four years of conflict over Karabakh.

Brussels acts on Daimler-Benz site

THE European Commission yesterday ordered the German government to recover DM33.8m (£11.8m) from Daimler-Benz, judging that the low price the company paid for a prime building site near the former Berlin Wall amounted to illegal state aid, writes David Gardner in Brussels and Leslie Colitt in Berlin.

An independent valuation requested by Brussels put the value of the site, in the Potsdamer Platz formerly bisected by the Wall, at DM179.7m, (£63m) or DM86.8m more than the sale price.

The Commission is allowing Daimler-Benz to keep DM53m of this subsidy, to compensate for the extra costs to Daimler-Benz of being required to redevelop a nearby site.

The company said it would examine the possibilities of "correcting" the EC's decision.

Stasi kept fewer files than feared

Nearly 60 per cent of the 420,000 east and west Germans who applied to see their files kept by east Germany's former Stasi state security police have discovered that the Stasi never kept a file on them, reports Leslie Colitt from Berlin.

Many who applied to see their Stasi files and discovered they had none, were disbelieving and some disappointed.

HDTV aid package proposed

The European Commission yesterday proposed an aid package for the high-definition television industry to make it competitive on world markets, AP reports from Brussels.

Mr Filipo Maria Pandolfi, EC Research Commissioner, confirmed he wanted to give Ecu850m (£609m) to broadcasters, programme producers and distributors by the end of 1996 to push the EC's version of wide-screen HDTV. Member states now have to approve it.

Havel to run for second term

Czechoslovak president Vaclav Havel announced yesterday he would run for a second term in the country's general elections scheduled for June 5, reports Ariane Genillard in Prague.

Under the constitution, the newly elected deputies will nominate the president.

Now Sweden faces being model of unemployment

Sara Webb on the shock of the virtually unknown

AN EMPLOYMENT agency in Stockholm reported four vacancies in the construction sector last week: it wanted a plumber, a construction worker, a driver for an earth-digger and an asbestos-remover. With 4,000 unemployed construction workers on its books, there was no shortage of applicants.

In a country which has traditionally placed great emphasis on full employment and the right to work, the fact that unemployment has reached its highest level since records began in the 1970s has come as a shock to many Swedes.

The Labour Market Board, which administers the employment system, is close to breaking point in providing retraining programmes for the jobless and the centre-right coalition government has come under considerable pressure from the unions to reduce the number of people out of work.

Official unemployment reached 4.2 per cent in March according to the Central Statistics Bureau, while in addition at least 3 per cent of the workforce – the "hidden" unemployed – are registered in retraining schemes and temporary jobs.

Economists forecast that open (or official) unemployment is likely to reach between 5 and 7 per cent in 1993, putting further strains on the retraining schemes.

"If unemployment threatens to approach 5 per cent and pressure on the government increases as a result, unemployment could be seen as a risk for the government's stability," says a recent report from Skandinaviska Enskilda Banken, the leading commercial bank in Sweden.

Faced with a recession both at home and in Sweden's main export markets of Europe and the US, much of Swedish industry has been forced to reduce production and cut costs.

SAS, the Scandinavian airline, Saab Automobile (the car company jointly owned by General Motors of the US and Saab-Scania), and Volvo are among the biggest names in Sweden to have cut hundreds of jobs.

A report from the National Institute of Economic Research last week warned that nearly half the 1,862 companies it surveys have cut jobs in the first quarter of 1992, and about 40 per cent of the companies expect to make further cuts in the second and third quarters.

The construction sector has emerged as one of the most severely hit as the property bubble of the 1980s has burst. Real estate prices collapsed in 1990-91 and office construction has slowed. Unemployment in the construction sector is 17 per cent, and a high proportion of the unemployed in this sector are men in the 16-24 year age group.

'If unemployment threatens to approach 5 per cent and pressure on the government increases as a result, unemployment could be seen as a risk for the government's stability'

However, in the next three years there is likely to be a shift towards increasing unemployment among public sector workers, especially women who tend to work in the social welfare services such as nurseries and care of the elderly.

Already, up to 25,000 of the 1.2m Swedes working in the public sector are expected to lose their jobs in the next three years because of cuts planned in the January 1991 budget, including railway and telephone company employees.

The Social Democrats' determination to maintain full employment during their administration resulted in severe wage-push inflation in the late 1980s. Unemployment in the Stockholm region was 0.7 per cent in 1988-89, according to Mr Per-Olof Edin, chief economist at LO, the Swedish blue-collar trade union confederation.

"We cannot handle such an overheated situation," says Mr Edin.

"However, I think we can handle unemployment of 2-2.5 per cent, and if we could get down to 3 per cent (unemployment), which is realistic in one or two years, it doesn't create a risk for wage levels."

The danger, he admits, is that if Sweden returns to full employment, fears that this would push up inflation would probably spark an outflow of capital from the country.

At the moment, though, as unemployment rises, the Labour Market Board is finding it increasingly difficult to provide retraining for the jobless.

Mr Robin Lapidus, spokesman for the board, says: "We cannot handle retraining for more than an average of 3 per cent (of the workforce). At the moment we have about 165,000 out of a workforce of 4.5m – or over 3 per cent – on training programmes," he says, though he adds that there are seasonal fluctuations.

"Above 3 per cent we cannot guarantee the quality and administration of training courses unless we get more money or more personnel."

LO has asked the centre-right government (which came to power last autumn) to cut unemployment by bringing forward plans for new construction projects and by encouraging high-school students to opt for three-year (rather than two-year) final courses.

At least, it is argued, this could provide a temporary solution until the Swedish economy starts to pick up and companies begin to boost their workforces again.

EC bank chiefs sound pay warning

By Andrew Hill in Basle

CENTRAL BANK governors from the European Community yesterday issued a thinly veiled warning to Germany that it should try to contain wage inflation, for the sake of progress towards economic and monetary union (Emu).

In their first annual report on EC monetary and financial conditions, the central bankers' committee said their attempts to co-ordinate interest rate policy would not be enough on their own to guarantee falling inflation and economic convergence.

"The national authorities will not only have to rein back fiscal deficits where they are excessive, but strong efforts should also be made to contain wage pressures," says the report, which the committee has to publish as part of the Emu process.

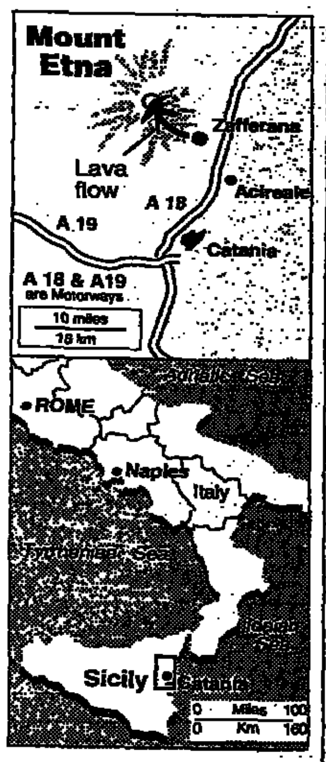
Germany, which is currently grappling with escalating wage demands, is not named, but the report says such responsibilities are particularly important for member states "which play a pivotal role in shaping the economic and financial conditions in the Community".

After yesterday's monthly meeting of central bankers, Mr Helmut Schlesinger, head of the Bundesbank, said all his colleagues were convinced the bank was pursuing the necessary monetary policy.

Mr Erik Hoffmeyer, governor of the Danish central bank and the committee chairman, said it was clear that many countries resented having to increase short-term interest rates in line with Bundesbank policy. But he added: "The policy mix in Germany is not the sole responsibility of the German monetary authorities."

The report refers to the difficulties of co-ordinating monetary, wage and fiscal policy without disturbing EC exchange rates. "If the benefits of exchange rate stability are to be preserved, a monetary response to shocks originating in one country. . . . would be quickly transmitted to the other Community countries," it points out.

EC central bankers are trying to co-ordinate interest rate policy as a prelude to stage two of Emu, which begins in 1994 with the establishment of a European Monetary Institute (EMI) with broadly the same tasks.



Etna lava consumes its first building

By Robert Graham in Rome

THE river of lava from Mount Etna yesterday consumed its first building, an outlying farm cottage 2kms above the threatened village of Zafferana. The owner greeted this unstoppable force of nature with a glass of wine and some cheese.

The lava is advancing at about 6 metres an hour. Zafferana's livelihood depends upon the surrounding chestnut forests and orchards.

The town's 7,000 people appear divided over where the lava should be diverted, fearing the loss of valuable land. There is growing criticism of the authorities' reaction to a danger well publicised since the end of last year.

Mr Haun Tazieff, the French vulcanologist, has been quoted as saying the construction of an earth barrier was a useless endeavour. It would not hold back the wall of lava, he said.

Italy's most controversial art critic, Vittorio Sgarbi, visited the site for "aesthetic reasons" and earned the wrath of the inhabitants when he opined: "I am delighted to see the lava removing these eyesores, these horrendous houses built on the slopes of the volcano."

Efforts to divert the flow, so far unsuccessful, have been intensified. Since Monday, the military has been placing explosives at strategic points in an attempt to divert and slow the flow.

The explosions are designed to break open the underground channels formed by molten lava flowing beneath static cooled clinkers. In this way, the lava is forced to the surface, cools and becomes easier to divert.

At the same time, US helicopters have dropped two ton concrete blocks to check the lava.

Lower down the mountain and just above Zafferana, bulldozers have been constructing an earth barrier for more than a week.

Explosives helped divert a lava flow in 1983 but experts said yesterday the heat of the magma was greater this time and showed no sign of cooling.

Car sales edge down in March

By Kevin Done, Motor Industry Correspondent

NEW CAR sales fell to an estimated 1.34m in west Europe last month, a 1.7 per cent decline from 1.36m in March 1991. This follows three months of small year-on-year increases.

According to industry estimates, new car demand in 17 west European markets in the first quarter rose 0.5 per cent to 3.69m from 3.67m a year ago, when sales were depressed by the Gulf crisis.

Despite the continuing strong recovery in Spain, where sales jumped by an estimated 28.4 per cent, European demand was pulled down in March by the continuing recession in Britain. New car registrations there were 15.2 per cent lower than a year earlier, the 29th consecutive monthly year-on-year fall. Sales weakened too in Germany from last year's record levels, with an estimated 3.1 per cent fall.

In the other two big volume markets, demand in Italy remains at a high level with a further increase of 1.8 per cent in March, while sales in France were virtually unchanged.

Declines in several smaller markets were led by a drop of 30.6 per cent in Finland. Across west Europe March sales were lower than a year ago in 10 of the 17 markets; first quarter sales were lower in only six.

The most notable gains in the first quarter were achieved by BMW, which has overhauled Mercedes-Benz, its arch domestic rival, for the first time. BMW is estimated to have increased its sales volume in the first quarter by 19.6 per cent to 118,000; Mercedes-Benz sales fell by 6.3 per cent to 116,000. BMW claimed 3.2 per cent of the market in the first quarter compared with 2.7 per cent a year ago, while Mercedes-Benz's share fell to 3.1 per cent from 3.4 per cent.

Rover, the British Aerospace subsidiary, is losing ground dramatically and suffered a 27.2 per cent fall in sales volume in the first three months.

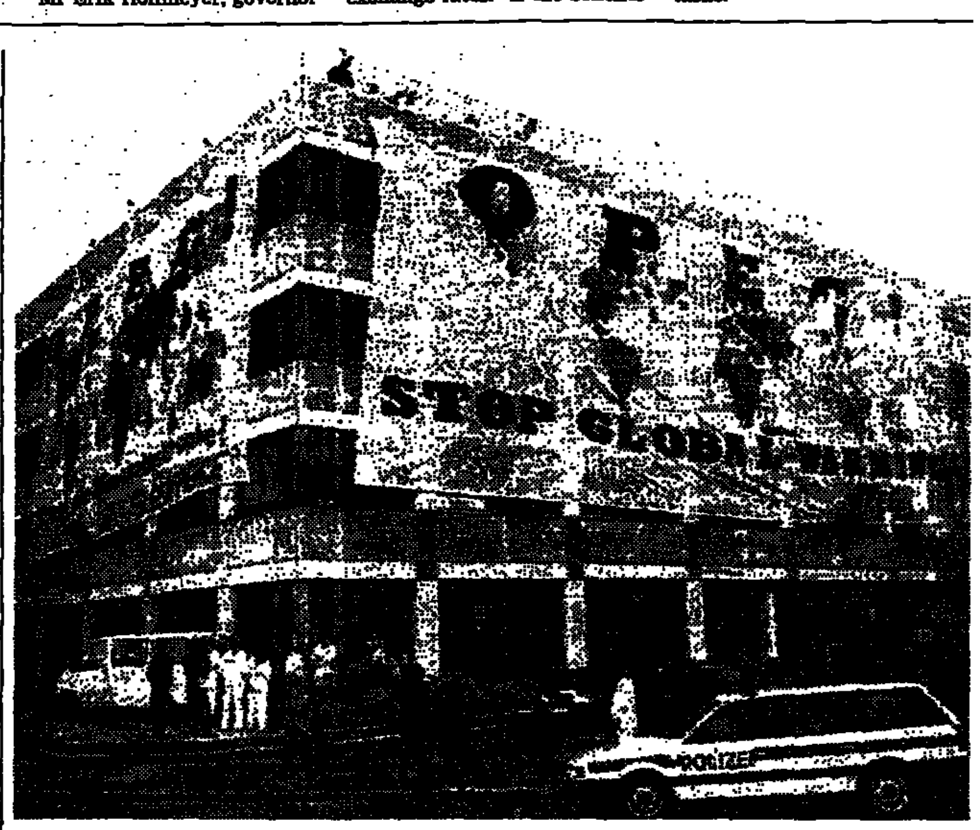
It has been hit hard by the recession in the UK, where it continues to gain most of its sales, but even there it is drastically under-performing the depressed market.

Among the big six volume carmakers, Volkswagen has opened up a record lead over its main rivals, helped by the much weaker performance of Fiat. The two French manufacturers, Renault and the Peugeot group, which includes Citroën, were the fastest growing volume carmakers in the first quarter, however, with sales increases of 8.4 per cent and 6.1 per cent respectively.

WEST EUROPEAN NEW CAR REGISTRATIONS
January-March 1992

	Volume (Units)	Volume Change(%)	Share (%) Jan-Mar 92	Share (%) Jan-Mar 91
TOTAL MARKET	3,688,000	+0.5	100.0	100.0
MANUFACTURERS:				
Volkswagen*(incl. Audi,SEAT&Skoda)	626,000	+3.7	17.0	16.5
General Motors (Opel/Vauxhall, US# & Saab)	471,000	+1.1	12.8	12.7
– Opel/Vauxhall	453,000	+1.5	12.3	12.2
– Saab**	14,000	+1.4	0.4	0.4
Fiat (incl.Lancia, Alfa Romeo,Ferrari Innocenti,Maserati)	465,000	−6.3	12.6	13.5
Peugeot (incl. Citroen)	442,000	+6.1	12.0	11.4
Ford (Europe, US# & Jaguar)	436,000	−3.9	11.8	12.4
– Ford Europe	432,000	−3.8	11.7	12.2
– Jaguar	3,000	−25.6	0.1	0.1
Renault††	400,000	+8.4	10.9	10.1
Nissan	118,000	+4.6	3.2	3.1
BMW	118,000	+19.6	3.2	2.7
Mercedes-Benz	116,000	−6.3	3.1	3.4
Rover†	77,000	−27.2	2.1	2.9
Toyota	85,000	−4.5	2.3	2.4
Mazda	71,000	−7.6	1.9	2.1
Volvo††	58,000	+1.4	1.6	1.6
Honda†	44,000	+7.5	1.2	1.1
Mitsubishi	39,000	−16.6	1.1	1.3
Total Japanese	416,700	−1.6	11.3	11.5
MARKETS:				
Germany	1,076,000	−2.8	29.2	30.2
Italy	699,000	+1.1	18.9	18.8
France	521,000	+1.2	14.1	14.0
United Kingdom	406,000	−11.1	11.0	12.4
Spain	268,000	+28.2	7.3	5.7

#Cars imported from US and sold in western Europe.
*VW holds 31 per cent and management control of Skoda.
**GM holds 50 per cent and management control of Saab Automobile.
†Honda holds a 20 per cent stake in Rover vehicle operations.
††Renault and Volvo are linked through minority cross-shareholdings.
Source : Industry estimates



POLLUTION PROTESTERS TARGET OPEC OIL CARTEL

Greenpeace activists drape the Vienna headquarters of the Organisation of Petroleum Exporting Countries with banners calling for an end to global warming. They used the occasion of an Opec seminar on the environment to publicise their claim that the cartel is the world's biggest polluter.

Knives come out in France for Maastricht pact

By Ian Davidson in Paris

THE long-delayed French debate over the Maastricht Treaty on European Union seems finally to have been unleashed by President Mitterrand's weekend declaration that he expected to be able to complete ratification soon, probably by the summer.

The realisation that ratification and the accompanying reform of the French constitution are now almost upon them, has suddenly goaded the critics of the treaty into mounting their campaigns and mustering their forces.

The out-and-out nationalist opponents of Mr Mitterrand's vision of a quasi-federal Europe appear too few to block the Maastricht treaty. However, Mr Mitterrand could have more serious problems with moderate critics, who are already manoeuvring to set conditions for ratification, which may seem reasonable but could be incompatible with the treaty as signed.

The outright opponents include the Communists on the left, and small nationalist fractions of the Socialist party, the centre-right UDF umbrella grouping, and the right-wing Gaullist RPR party. Outside parliament, the extreme right-wing National Front and the Greens may also be expected to campaign against the treaty.

Mr Jean-Pierre Chevènement, former defence minister, will not vote for the treaty, but his nationalist clan has shrunk to well under 10 per cent of the Socialist party.

In the Gaullist party, Mr Philippe Seguin has launched the anti-Maastricht campaign, with a book* co-authored with a group of like-minded politicians and jurists. But after calling a meeting of Gaullists yesterday, he was apparently able to draw only about a dozen.

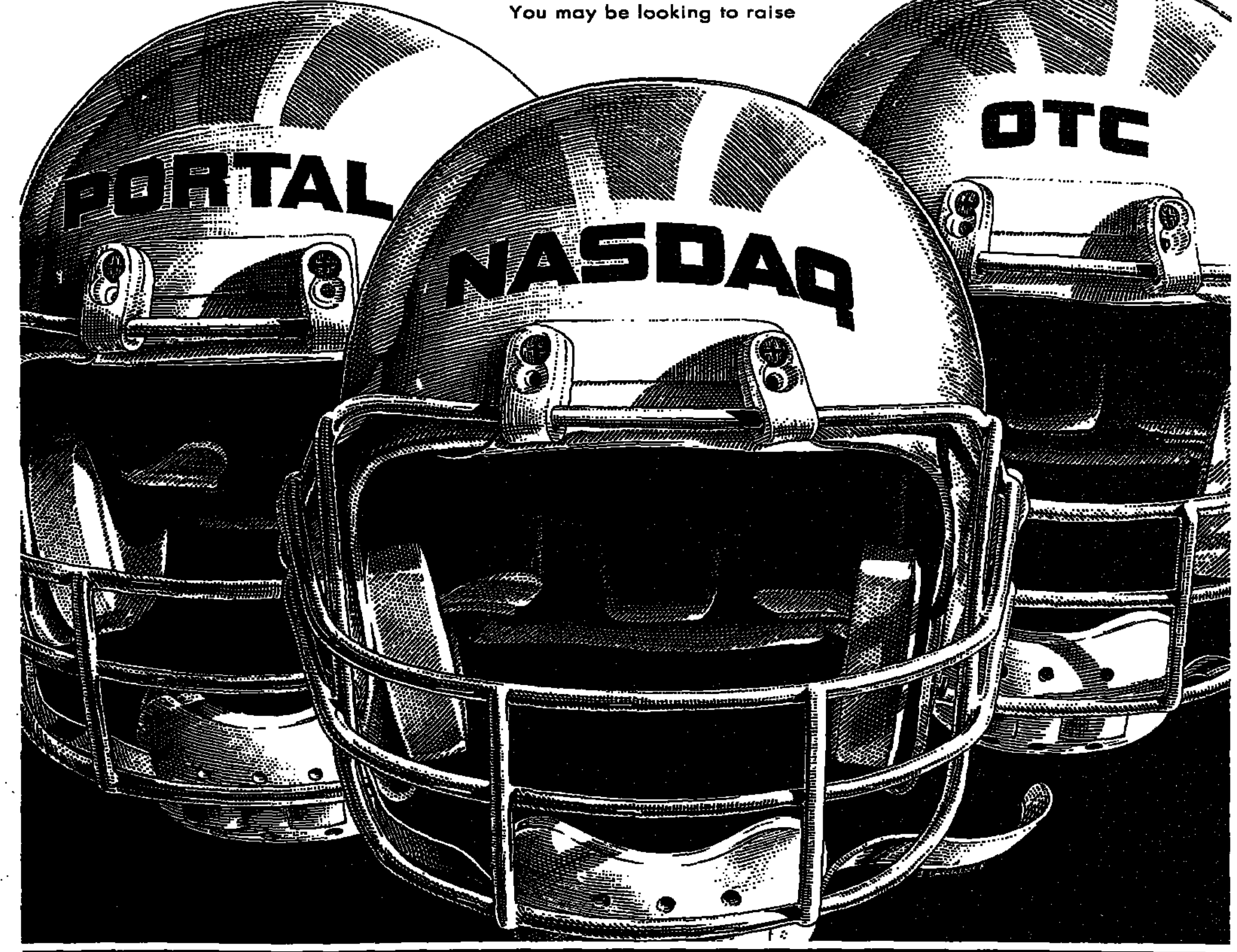
The official line of the UDF is traditionally pro-European and pro-federalist. Its leadership, headed by former President Valéry Giscard d'Estaing, has promised support in general terms. There are certainly two ultra-nationalist UDF MPs, Mr Philippe de Villiers and Mr Alain de Griotteray; but if there are more, they have not shown their colours.

Serious trouble is only likely to come from the Gaullists. So far Mr Jacques Chirac, the party leader, has kept his head well down. The leadership is manifestly determined not to oppose the treaty on principle; on the other hand, it needs to satisfy the unreconstructed populists on the right as well as the moderate modernisers in the centre.

● *De l'Europe en Général et de la France en Particulier. Philippe Séguin and Marie-France Garaud, Le Pré Aux Clercs, FFr110*

French inflation remained stable in March, and significantly below the average of its main trading partners, according to provisional figures released by the National Statistical Institute.

The consumer price index rose 0.3 per cent in March, after similar rises in February and January. It takes the year-on-year rise to 3.2 per cent.



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Order marks the end of entrepreneur's involvement in business

Bond formally declared bankrupt

By Kevin Brown in Sydney

MR ALAN BOND, the Australian entrepreneur whose flamboyant rise was matched only by his dramatic fall, was declared bankrupt yesterday after a legal battle lasting almost a year.

The bankruptcy order marks the formal end of Mr Bond's involvement in business, but not the end of his career as a public figure, which is likely to last for at least another year.

In addition to further bankruptcy hearings, he faces criminal charges in Perth, and is the subject of inquiries by the Australian Securities Commission (ASC) and a Royal Commission into alleged corruption in Western Australia. Mr Bond is also in early stages of divorce proceedings from his wife Eileen, which could become entangled with bankruptcy hearings into the disposal of his assets.

Ironically, Mr Bond was not in the federal court in Sydney to hear Mr Justice Morling appoint Mr Robert Ramsay, a Western Australian accountant, as his trustee in bankruptcy.

Mr Bond was giving evidence to the royal commission in Perth, which sat in secret to avoid compromising his trial on fraud charges, which is due to open on May 25. Mr Bond denies the charges.

The judge's ruling followed a series of court hearings and appeals by Mr Bond against an earlier order that he was liable to pay a personal debt of US$194m to to a banking syndicate led by the Hongkong Bank of Australia.

The debt relates to personal guarantees given by Mr Bond against loans by the syndicate to Dallhold Investments, a private company controlled by the Bond family which has nickel mining interests.

Justice Morling rejected arguments by Mr Bond's lawyers that an affidavit presented by the creditors was deficient, and that the hearing should be postponed for two weeks to allow him to take further legal advice.

Mr Ramsay said he expected to meet Mr Bond shortly to demand a statement of his financial affairs and assets, confiscate his passport, and begin an examination of a group of family trusts.

Mr Bond will have to ask Mr Ramsay's permission to travel abroad, own a car worth more than A$2,500, or negotiate credit of more than A$500. "He would have to have a good reason to convince me that he should have his passport back," Mr Ramsay said.

Mr Bond resigned as chairman of Bond Corporation Holdings, his flagship listed company, in September 1990, two days before the group announced an Australian record loss of A$2.24bn.

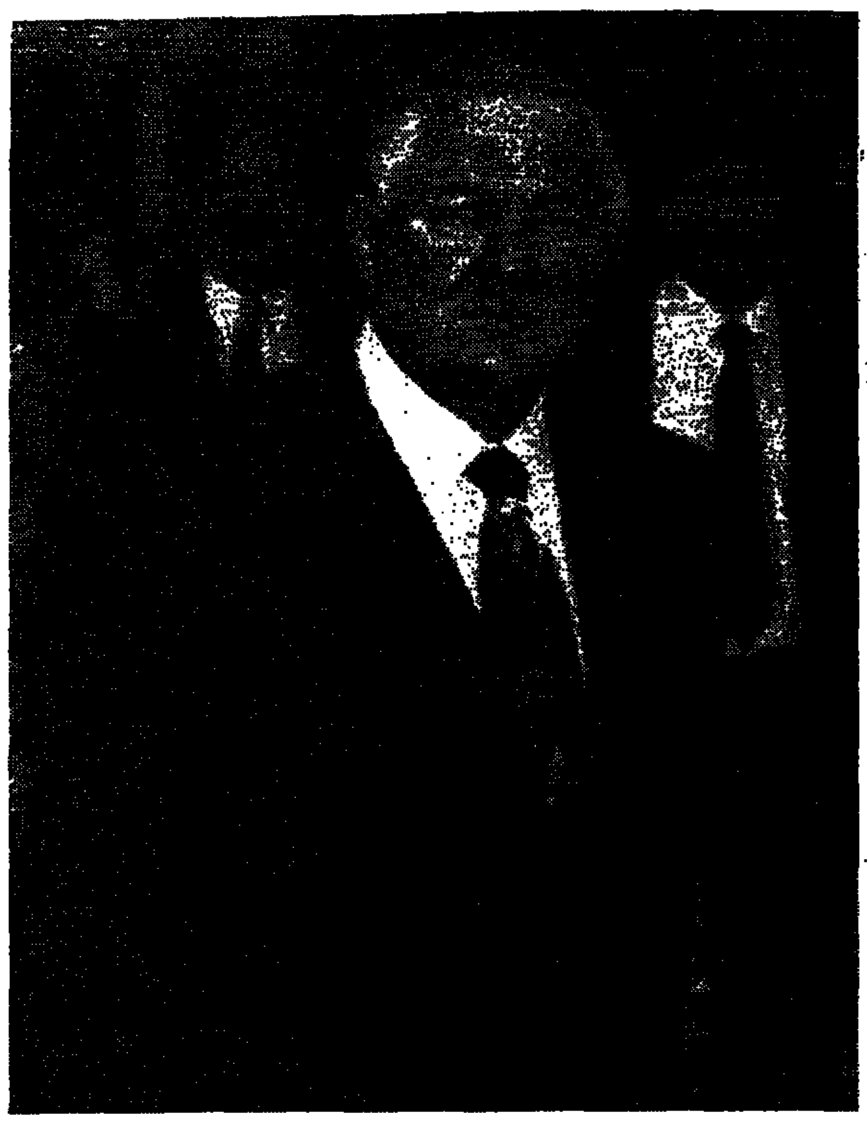
Bond Corp is being restructured under a debt for equity swap which will transfer more than 90 per cent of the company's equity to its creditors, mostly European bondholders. Most of the company's assets have been sold.

At his peak in the mid 1980s, Mr Bond was estimated by an Australian business magazine to be worth more than A$100m. He won the America's Cup for Australia, and in 1987 was named Australian of the Year. His public displays of wealth were famous, and his life seemed divided between country estates in Britain and Australia, luxury yachts and intercontinental commuting by private aircraft.

Bond Corp and a network of subsidiaries and associates controlled newspapers, television stations, and a number of major breweries, including G. Heilemann in the US and the Toohey's, Castlemaine XXXX and Swan brands in Australia. The group also built up significant shareholdings in a range of overseas companies, including Allied Lyons, the diversified UK food and drink group; TV-am, the UK television station; M & G, Britain's biggest unit trust, and Airship Industries.

The end came after a risky takeover bid for Lonrho, the diversified UK group managed by Mr Roland "Tiny" Rowland, provoked a defence document which identified numerous financial weaknesses in Bond Corp's structure.

Mr Bond's remaining assets are unclear. He told a court last September that he had little left apart from A$50,000 in three bank accounts. Some personal assets such as furniture are believed to have been disposed of since then.



Alan Bond enters a Royal Commission hearing on corruption yesterday

Tokyo department store sales fell 7.8% in March

By Stefan Wagstyl in Tokyo

SALES at Tokyo department stores fell last month fell by 7.8 per cent last month compared with March 1991, in an indication that the economic slowdown is spreading from industrial to consumer markets.

The decrease was the biggest since 1965, except for some months in early 1989 when the normal pattern of sales was disturbed by the introduction of a consumption tax.

Economists warned that the figures are an imperfect guide to consumption levels because about 20 per cent of Tokyo department stores' business is accounted for by corporate buying of gifts and luxuries for offices. These purchases have been badly hit by the slump in the financial markets.

However, economists say the data cannot be dismissed entirely since it showed declines in sales across the board – by 6.3 per cent in clothing, 4.7 per cent for personal effects, and 12.7 per cent for household goods. Sales of sundry goods, which includes many luxuries bought by companies, dropped 19.4 per cent. Food sales rose 1.1 per cent.

Meanwhile, debts of bankrupt companies have reached a record high because of the slump in the financial and property markets. Teikoku Data Bank, a credit research agency, reported that debts of bankrupt companies with liabilities of over Y10m (£43,200) soared 122 per cent in the year to March to Y7,773bn. This was well above the previous annual record of Y4,340bn, posted in 1985.

The number of bankrupt companies rose 64 per cent to 11,767. The biggest debt was the Y410bn left behind by the collapse of Egawa, the Osaka restaurant operated by Ms Nui Onoue, the central figure in a loan fraud scandal.

The agency said bankrupt property-related companies left debts of Y2,447bn and insolvent financial investment groups Y1,478bn – both record figures.

Tokyo Shoko Research, another agency, reported a similar trend, saying that the debts of bankrupt companies rose 148 per cent to Y8,138bn.

One piece of good news came in a report from the Bank of Japan showing that wholesale prices in March fell 1.4 per cent, the seventh monthly decline in a row.

Japan plays uneasy host to environment debate

Robert Thomson reports from Tokyo

WHEN 27 former prime ministers, presidents and other eminent persons gather in Tokyo today to discuss the financing of environmental protection, the Japanese government will be relieved if the talk is of lofty ideas rather than down-to-earth proposals.

The meeting, an important precursor to the Earth Summit in June, is an indication of Tokyo's determination to be a leader in the debate on the environment. However, the three-day gathering could also highlight the contradictions of a Japanese environment policy that means well but has yet to be given the substance of hard political decisions.

Hosted by Mr Noboru Takeshita, the former prime minister, and sponsored by the United Nations Conference on Environment and Development (UNCED), the meeting will produce a "Tokyo Declaration" intended to stimulate pre-Earth Summit debate and provide guidelines for assisting the economies of developing countries.

After the meeting, the eminent persons, including Mr Jimmy Carter, former US president, Mr Lee Kuan Yew, former Singapore leader, and Mr Barber Conable, former World Bank president, will be expected to exercise an enlightened influence on their own governments' summit proposals.

However, the meeting could provide evidence that the expectations for the June summit are too great, and highlight the reluctance of governments to support fine sentiment with policy changes and money.

Mr Takeshita, who still runs the largest faction in the ruling Liberal Democratic party, has previously explained that holding the conference here reflects "Japan's intention to play an active role".

It is appropriate that the Keidanren, Japan's Federation of Economic Organisations, is co-hosting the conference, as its presence will be a reminder of the important role Japanese industry plays in influencing official policy.

Larger Japanese companies have publicly embraced environmental themes with enthusiasm, but their strong opposition to policies limiting domestic growth has hampered Tokyo's role in the international debate on the environment.

The government is discussing a tax on carbon dioxide emissions, but the Ministry of International Trade and Industry (Miti) opposes such a tax.

Japan has two targets for the stabilisation of carbon dioxide emissions, a Miti target and a target set by the Environment Agency, and depending on whom you consult, each is the "official" target.

The Environment Agency calls for a freezing of total emissions at present levels by the year 2000, while the Miti target allows for an 8 per cent increase in emissions by "freezing" at per capita levels.

Japan has gone much further than the US in the carbon dioxide debate, but the ambiguity of these policies has contributed to lower expectations of Tokyo's influence on the environmental debate. The country is still often seen as more a provider of funds than of inspiration.

Miti takes the view that technology transfer is a useful Japanese contribution to the environment. The eminent persons' conference will discuss the delicate issue of who should pay for developed countries' technology transfers. It is a question particularly relevant to Japan during a period of economic slowdown. The large increases in Japanese aid during the late 1980s were supported by the longest period of post-war economic development, but the stock market collapse and a slowing of tax income has put pressure on the aid budget.

Conference delegates will discuss a timetable for a gradual increase in official development assistance to 0.7 per cent of developed countries' gross national product (GNP), with a view to using some of the increase for environmental protection. In Japan's case, that would mean a rise from 0.31 per cent, an increase that the finance ministry will not tolerate in the present financial conditions.

Fujitsu, the electronics maker, yesterday announced that it will phase out by next March the use of harmful chlorofluorocarbons in semiconductor washing. And, a few weeks ago, Toyota Motor, the largest car maker, announced its own Earth Charter, drafted by a newly formed Toyota Environment Committee.

The eminent persons should applaud such corporate commitments to the environment, but they would also be advised to emphasise to the Japanese government that its own contribution to the debate needs to be as unambiguous as the promise made by Fujitsu.

N Korea delirious for Great Leader

Yvonne Preston on the 80th birthday of Kim Il Sung, cult dictator in a country weak with hunger

AMONG gifts to mark his 80th birthday today, North Korean dictator, Kim Il Sung, the world's longest-reigning head of state, has landed yet another title to an impressive collection. The Great Leader, Beloved Leader and Ever Victorious Captain of the Korean People, is now also Generalissimo.

His birthday presents include a quilt and sleeping mat stuffed with down from the necks of 700,000 sparrows slaughtered for the occasion, 400 tonnes of pork from China and a birthday visit from Chinese President Yang Shangkun, aged 84. China is North Korea's closest ally, one of the few remaining after the collapse of communism in Europe.

The Chinese president had a rapturous, flower-strewn reception from waving crowds tens of thousands strong when he arrived in Pyongyang on Monday, the Xinhua news agency reported. (Foreign correspondents have largely been barred.) The drilled crowds lining the streets rhythmically chanting welcome slogans, and the dancing in Kim Il Sung Square, were shown prominently on Chinese television news, a reminder of how things used to be done in Beijing before Chinese communist mythmaking about the workers' paradise gave way to greater realism.

Diplomats say the excesses of its increasingly anachronistic ally are something of an embarrassment to China which is endeavouring to encourage Kim to greater moderation, an end to isolationism and a strategy of economic reform.

The Respected and Beloved Comrade, the Greatest Genius Humankind Has Ever Had, the Legendary Hero and Outstanding Leader of the Revolution, some of the epithets routinely applied to Kim by North Korea's media, has ruled the Democratic People's Republic of Korea with a rod of iron for nearly 44 years, coming to power in 1948 at the age of 36.

Kim's elaborate personality cult, easily a match for the cult of Mao Zedong at its height, has littered the country with 35,000 Kim statues. Every house, office, school, shop and labour camp displays Kim portraits. His collected thoughts run to 37 volumes, republished in large editions to mark the birthday celebrations.

Kim, a mild-faced, stocky, bespectacled figure with an unsightly goitre on his neck – he refuses to submit to the surgeon's knife – is always portrayed a head taller than those who stand adoringly around him. Greater love hath no man than Kim. He "embraces in his bosom ... even those people who committed wrongdoings". His "revolutionary comradely love" is the "pinnacle of human love".

American officials have warned that what they see as an unpredictable regime, megalomaniac, isolated and confronting economic collapse, is pushing to develop a nuclear weapons capability (though the country's parliament last week ratified an agreement signed in January with the International Atomic Energy Agency to open its nuclear facilities to inspection).

A future government under Kim's anointed successor, his son Kim Jong-Il, may be equally unpredictable.

The corpulent 50-year-old Dear Leader, described in foreign diplomatic circles as "plump, pampered and psychotic", is becoming the subject of almost as much adulation as his father. He is even on occasion called Great Leader, a title once reserved exclusively for the elder Kim.

Nepotism is not uncommon in communist regimes but this is the first time any communist leader has tried to devolve power directly to a member of his own family – it would create the world's first communist monarchy.

For the 23m who live there, the reality of North Korea is a long way from the paradise of the relentless propaganda. The regime's response to food shortages is to warn of the harmful effects of over-eating. Pyongyang television recently reported, as a lesson to others, the case of a man who died when his stomach burst because he ate too much rice.

Israel favours local polls in occupied areas

ISRAEL'S defence minister, Mr Moshe Arens, told a parliamentary committee yesterday that the government was in favour of holding municipal elections in the occupied territories for the first time in 16 years, Reuter reports officials as saying in Jerusalem.

They said he told the foreign affairs and defence committee that the government wanted to appoint municipal committees in the West Bank and Gaza Strip to prepare for elections.

Palestinian peace negotiators oppose the idea, first raised publicly during a visit by a senior defence ministry official to the West Bank city of Hebron last week. Ghassan al-Khatib said that raising the elections idea pre-empted Palestinian demands for general elections for a legislative council in the West Bank and Gaza.

The last municipal elections in the West Bank were in 1976. Israel has since refused Palestinian demands for elections and has appointed local officials to run the municipalities.

West warns Iraq over military provocation

By George Graham in Washington

WESTERN diplomats have issued a formal warning to Iraq not to provoke the coalition forces operating in the north of the country.

Diplomats from the US, France and the UK met Mr Abdul Amir al Anbari, the Iraqi ambassador to the United Nations, yesterday to warn him of the consequences if his country did not halt all threatening military activity.

The coalition members demanded the withdrawal of the anti-aircraft missiles Iraq has deployed north of the 36th parallel in an area close to the protected zone they have established to safeguard Kurdish refugees.

They also warned Iraq not to fly fighter aircraft north of the 36th parallel, and not to attack either the Kurds in the north or the Shia minority in the south of the country.

Diplomats said that although the démarche was made only by the US, France and the UK, it had been discussed beforehand with other coalition members, including Turkey. Turkey is understood to have shown some reluctance to go along with the warning, in part because of its conflict with its own Kurdish minority.

Iraq's deployment of Soviet-made Sam-2 and Sam-3 missile batteries and its attempts to track coalition aircraft with the batteries' radar have aroused considerable concern among the allies.

Mr Brent Scowcroft, President George Bush's national security adviser, described the move as "very ominous" and said that he would not rule out military action if Iraq persisted.

Admiral David Jeremiah, vice-chairman of the US joint chiefs of staff, added the coalition partners viewed the presence of the missiles with "considerable concern".

"Surface-to-air missiles have no purpose other than to be used against aircraft, and the only aircraft flying in that area are allied," he said.

Angola urged to prepare for elections

By Caroline Southey and Patrick Blum in Luanda

THE US yesterday intervened in Angola's faltering peace process, telling government and opposition parties preparations for September elections were behind schedule.

Mr Herman Cohen, US assistant secretary of state for Africa, said in Luanda that although progress had been made, including the announcement of a date for the polls on September 29 and 30, there was still much to be done and little time to do it in.

A peace accord was signed in May last year between the governing MPLA and opposition Unita movement, ending 16 years of hostilities.

Mr Cohen urged the government of Mr José Eduardo dos Santos to complete the legalisation of opposition parties and rapidly appoint a director-general to supervise an electoral commission. He also said it was essential that the central administration be extended to territory controlled by Unita.

Cautious Rao silences critics

By David Housego in Tirupati

INDIA'S prime minister, Mr P V Narasimha Rao, appeared last night to have silenced critics of his economic policies in the ruling Congress party with a statement of party doctrine emphasising cautious change.

A resolution put last night before the All India Congress Committee (AICC) – the party's main policy-making body – reaffirmed the party's commitment to pursuing policies to improve competitiveness and productivity. But he also paid lip service to the legacy of the Nehru family by declaring his support for "the Nehru vision of democracy, socialism and planning".

The resolution, expected to be approved today, denies that there has been any U-turn in economic policies and emphasises "change with continuity".

It makes no mention of privatisation or of controversial proposed measures to allow industry more freedom to declare redundancies.

The cautious language of the document underlines the resistance that pro-market economic policies still face within the party. But the endorsement of February's budget, including partial convertibility of the rupee, is believed to give the prime minister a free hand to continue liberalisation.

Tehran's overtures to central Asia fall on deaf ears

Michael Field debunks the view that Iran will export Islamic revolution to its northern neighbours

AN IRANIAN deputy minister recently led a delegation to the former Soviet republic of Tajikistan. At the close of the talks, the two sides decided it would be brotherly to draft the minutes in Persian – in theory, their common language. It took a day for the Tajiks to find a Persian typewriter. Then nobody knew how to use it, except the deputy minister. He typed the minutes.

At about the same time, a Turkish-speaking mullah from Iranian Azerbaijan went to former Soviet Azerbaijan to give a lecture on Islam. After his talk, his hosts served sandwiches and vodka. The mullah was horrified. He explained that alcohol was prohibited by Islam. And then he was hurt to discover that not only were the Azerbaijanis unaware of this, but that, on being enlightened, lost interest in the meeting and drifted away.

Episodes such as these have taught the Iranians three things:

- Central Asia and Transcaucasia have become culturally very distant from Iran during 70 years of communism.
- The population there is not ripe for Islamic revolution.
- The whole area is very poor.

In the west and some conservative Arab countries there is a belief that the Iranians have been provided with a golden opportunity by the break-up of the Soviet Union and that they will try to export revolution and strengthen their position to undermine pro-western regimes in the Middle East.

In Tehran, the situation looks very different.

Even though it was invaded from the north twice this century, by Russia in 1915 and the Soviet Union in 1941, Iran has had an easy relationship with its superpower neighbour for the past 40 years. After Mr Ali Akbar Hashemi Rafsanjani, who is now Iran's president, visited Moscow in 1988, the Soviet Union became an important trading partner and a supplier of sophisticated arms, including MiG 29 fighters.

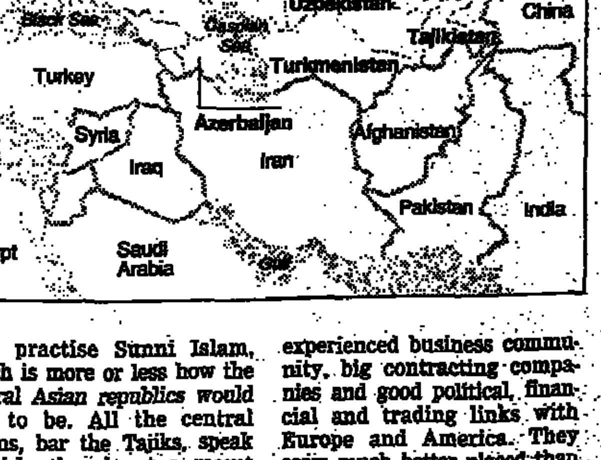
The Iranians now suppose that their relationship with Russia, with which they have no border, will be more distant, and, meanwhile, have been presented with a series of challenges that they fear will underline their weakness.

Moreover, there is no chance of exporting their revolution because it is almost a thing of the past in Iran itself, except in official rhetoric and a few hardline pockets in the government and religious establishments. The former Soviet republics know about the chaos that Iran inflicted on itself by its revolution, and can see that Iran needs nearly as much reconstruction as they.

The Iranian mullahs would like, at least, that they, and not Saudi Arabia, should exert the main influence in bringing the new republics back to Islam. But they are hampered by the fact that most Iranians are unorthodox Shia while their northern neighbours, except some Azerbaijanis, are Sunnis. Also, Saudi Arabia has more money for building mosques.

Secular members of the government hope that Iran will be a more important economic and social influence on central Asia and Turkey. But it will not be. Iran is physically closer to central Asia, and it will be a route for the republics' trade with the west, but in every other way the Turks have the advantage.

Turkey is a secular state whose more religious inhabitants practise Sunni Islam, which is more or less how the central Asian republics would like to be. All the central Asians, bar the Tajiks, speak Turkish, though, at a recent meeting of regional states in Tehran, the Turkish ambassador said he could follow what the Azerbaijanis were saying, but that what the others spoke was so impregnated with Russian it was "only a form of Turkish".



The Turks have a strong, experienced business community, big contracting companies and good political, financial and trading links with Europe and America. They seem much better placed than Iran to provide the goods and economic expertise the central Asian republics want.

It is often said outside government circles in Tehran that Iran and central Asia lack "complementarity." The central Asians need capital, strong private sectors and contact with international business, which is exactly what Iran needs itself.

Turkey's advantages worry the Iranians: they see the Americans in the Gulf, regard the Turks as American proxies, and fear that they are about to be surrounded by US influence. They are resentful that the outside world seems to have ignored their efforts to mediate in the fighting between Azerbaijanis and Armenians in Nagorno Karabakh.

The worst prospect of all is that the emergence of independent Asian republics could lead to Iran's own minorities starting secessionist movements. Like many Middle Eastern countries, roughly half of Iran's population is composed of minorities: Turkomans, Azerbaijanis, Baluchis, Arabs, Armenians, Kurds. Many of these are Sunni Moslems. There are no Sunni ministers and no senior officials from any of the minority groups except the Azerbaijanis, whose potential for secession used to worry the Shah. This led to many Azerbaijanis, who were more sophisticated than the other minorities, being promoted, particularly in the Foreign Ministry.

Traditionally, the dominant Persian community has not tried to crush the cultures of the minorities, as Turkey and Iraq have tried to do with the Kurds. There has been a general acceptance that Iran is composed of a group of races – an empire, as it was known in the Shah's day.

In only one of the minorities, the Kurds, is there any secessionist movement at present. Among the others, the idea remains theoretical: there was no sign of the Arabs in the south-west wanting to join Iraq when their territory was invaded in 1980.

Still, if the present changes in the region were ever to lead to a rearrangement of frontiers, it is quite possible to imagine the Azerbaijanis demanding union with former Soviet Azerbaijan and/or with Turkey, and the Turkomans wanting to join Turkmenistan. A major disincentive to secessionist movements is the poverty of the central Asian states.

Nevertheless, the mere thought of secession in Iran increases the sense of isolation of a nation which already feels very much on the defensive.

NEWS: AMERICA

Retail sales fall raises doubts over US recovery

By Michael Prowse in Washington

US retail sales fell 0.4 per cent last month, raising doubts *about the momentum* of the economic recovery.

The decline was the first since October and the largest for seven months. It followed two months of surprisingly robust sales growth, which had raised hopes that the economy was emerging decisively from recession.

Early estimates of car sales *in April were also disappointing*. In the first 10 days of the month, sales were estimated to be running at a rate of 5.8m units a year, down from 6.1m units at the end of March which analysts expected to hold steady.

Many analysts now view March as a period of renewed sluggishness of demand and output. Employment *hardly* grew, and data for industrial *production and housing starts* due later this week are expected to be weak. Most forecasters, however, continue to expect a moderate economic recovery in the second quarter.

The renewed signs of economic weakness – including a drop in the money supply – prompted the Federal reserve last week to signal an unexpected quarter point cut in short-term interest rates to 3.75 per cent.

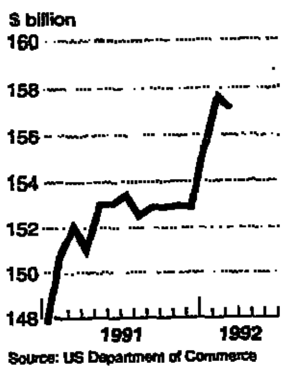
Last month's decline in sales *appears to have been broadly* based. Excluding cars – often *a volatile component* – sales were down 0.6 per cent; department store sales fell 3.1 per cent and those of building materials and hardware declined 1.4 per cent. Sales of home furnishings, however, were up 2.1 per cent.

The sales decline in March *only partially offset a sharp* recovery in consumer demand in January and February. For the first quarter as a whole, sales were 2.9 per cent higher than in the 1991 final quarter and 4.5 per cent higher than in the same period last year, which was artificially depressed by the Gulf war.

The figures are adjusted for seasonal fluctuations but not for inflation.

Analysts remain concerned by weak employment trends. Without an increase in jobs, personal incomes are likely to *remain subdued, making a sustained increase in consumption hard to finance*.

US retail sales



Source: US Department of Commerce

Flooded city centre may be declared disaster area

Trading in Chicago hit for second day

By Barbara Durr in Chicago

CHICAGO'S business district was expected yesterday to be declared a disaster area after flooding of the city's underground tunnel system on Monday cut power supplies and closed offices.

Many buildings in the city's downtown area were shut for a second day after a tunnel *under the Chicago River* was holed. Damages could reach several billion dollars, although assessments are still being made.

The Chicago Board of Trade remained closed and the Chicago Mercantile Exchange, while unaffected directly, closed early except for trading in its stock index futures. The *equity-based futures*, which have an important impact on *share dealing in New York*, were to be traded during normal hours.

The CME said it shortened its day as the clearing of trades was difficult given that many member firms were closed by the flood.

Emergency crews cut the water flow into the tunnels to a trickle yesterday.

Many of the buildings affected by flooding were still without electricity because of millions of gallons of water in *tunnels and basements*. Thousands of office workers were *unable to return* to work or were sent home early.

Companies scrambled to find temporary office space, some trying to fulfil an April 15 deadline for tax receipts. However, *the Internal Revenue* Service extended the tax deadline by a week for those affected by the flood.

The city is investigating how the tunnel's wall was punctured. *Mayor Richard Daley* admitted that city officials *knew of a leak in the tunnel* at least a week before the disaster *and he promised that those* officials "will be held accountable".

Water pours out of the basement of a Chicago department store yesterday as mopping up operations begin

Half of America turns to the apathy party

WHILE some US voters have shown how disgruntled they are with their political leaders this year by voting them out of office, more have joined the other half who do not vote at all.

Last week, in New York state's apparently vigorously contested Democratic primary, fewer than 1m people troubled to register their preference between Governor Bill Clinton of Arkansas, former *Governor* Jerry Brown of California and *the phantom candidate, former* Senator Paul Tsongas of Massachusetts – a 38 per cent fall from the turnout in 1988.

Except for New Hampshire, which held the first primary, turnout has declined uniformly this year. Only around 9.4m Democratic voters have turned out in primaries so *far this* year, compared with 11.8m at *the same stage of the 1988 presidential* campaign.

But if voter participation has declined overall, in the black population it has plummeted: down 40 per cent in Georgia, for example, and down 61 per cent in Louisiana.

Some of the low turnout, both in general and among black voters in particular, can be attributed to voters' dissatisfaction with the way in which candidates are addressing the issues that most concern them, say *activists working for greater voter participation*.

"What we have seen so far is *candidates* of both parties speaking to the so-called forgotten middle class but not couching their language in such a way as to appeal to black voters," says Ms Sonia Jarvis, executive director of the National Coalition on Black Voter Participation.

Another factor has been the attempt by many states, especially in the south, to maximise their electoral clout by grouping their primaries.

With seven states voting on March 3 and another 11 on March 10, so-called "Super Tuesday", *candidates had to* spread their resources thinly and were *unable to whip up* much enthusiasm among voters *who barely knew their* names, far less their faces or their policies.

PARTICIPATION IN US PRESIDENTIAL ELECTIONS (per cent of voting age population)

Year	%	Year	%	Year	%
1932	52.5	1952	61.6	1972	55.2
1936	56.9	1956	59.3	1976	53.5
1940	58.9	1960	62.8	1980	52.6
1944	56.0	1964	61.9	1984	53.1
1948	51.1	1968	60.9	1988	50.1

Source: US Bureau of the Census

But low turnout also reflects both structural barriers to voting and a *long-term* trend of declining participation. Unlike *other* industrialised countries, the US requires its citizens to jump through several hoops to register to vote.

Many states, for example, require voters to appear in person at the registrar's office – which may be open only during weekday office hours. Even those that allow citizens to register by post sometime require notarised proof of identity.

George Graham on the decline in voter participation in the US, especially among blacks

"There is a notion that voting *is really a privilege rather* than a fundamental right, and *people have to prove* themselves worthy by taking the initiative," says Mr Ed Brown, director of the Voter Education Project – an Atlanta-based organisation which took the lead in breaking down the barriers raised against black voters in the south in the 1960s, but which closed its doors last month for lack of money.

The charitable foundations which used to fund its work have turned to other causes. Some, more politically aligned, became disillusioned in the 1980s as voter registration drives bore more fruit for the Republicans than for the Democratic party. *Those that* remain interested in voter *participation have turned to legislative* efforts to make registration *easier*.

Ms Jarvis says that registra*tion rules in most states were* drawn up either after the Civil War or at the turn of the century at a time of heavy immigration from central Europe, and were always intended to discriminate.

While blacks are no longer made to construe *Greek* or count the bubbles in a bar of soap – *traditional tests* used to prevent them from registering *in the old south* – the barriers of inconvenience affect the *generally* lower-income black population disproportionately.

"If you're poor and black and live in rural Mississippi and work in a catfish processing plant, no one is going to give you time off to go to register to vote," Mr Brown says.

But Mr Curtis Gans, director of the Committee *for the Study* of the American Electorate, warns that there *is a long-term* trend of declining electoral par*ticipation that* reflects voters' disillusionment with the politi*cal process*.

Changes in the law to allow *citizens* to register to vote at the polling booth on election day might add another 6m or 7m voters to the 91.6m who voted in the last presidential election, he says, but would not reverse the trend.

"A lot of the declining participation has to do with the erosion of the will to vote," he says.

Reduced black participation is likely to be particularly damaging to the Democratic candidate in the presidential election in November. Although the black vote has become much less mono*lithic* than in the recent past, some 75 to 85 per cent are *still likely to vote* Democratic.

It is *not a matter of whether* the Democratic candidate garners *the black vote, says* Mr Brown, it is a question of how *much*.

"The view is that blacks have nowhere else to go but blacks always have somewhere to go: they can go fishing."

Star Wars adversaries head for further clashes

By George Graham in Washington

THE Bush administration and Congress are heading for another clash over the Strategic Defence Initiative (SDI), the US's effort to develop a system of anti-missile protection.

The two sides in the "Star Wars" debate reached a *compromise* last year that would have *concentrated efforts on* developing a limited, ground-based anti-missile defence that would comply with the 1972 Anti-Ballistic Missile (ABM) Treaty

Under the compromise an SDI system would have been deployed at Grand Forks, *North Dakota*, by 1996.

Leading senators, however, *complain that the Defence* Department's SDI Organisation is still pursuing a more futuristic system of space-based missile interceptors, using up funds needed to meet the 1996 deadline for deploying a ground-based system.

Senator Sam Nunn, chairman of the *Senate* armed services committee, clashed last *week with Mr Henry Cooper*, director of the SDI Organisa*tion, presaging* a fierce battle over the administration's request for $5.4bn (£3.13bn) of SDI funding in fiscal 1993 – an increase of nearly a third over the $4.1bn allotted by Congress for the current year.

SDI's ambitions have dwindled from the grandiose vision of total defence sketched *out* by former President Ronald *Reagan. The collapse of the* Soviet Union has shifted the debate.

Today, congressmen are more concerned about an accidental or rogue launch from the former Soviet Union or about future threats from countries such as Iraq or Iran.

The *Defence Department*, however, regards the Grand *Forks ground-based interceptor* system as inadequate protec*tion*. "Such a defence would not protect the US against the full range of threats," the department's annual report to Congress said.

NEWS: WORLD TRADE

NZ looks for more trading ties with Asia

By David Dodwell, World Trade Editor

SOUTH Korea is this year set to overtake the UK as New Zealand's fourth largest trading partner, according to Mr Philip Burdon, the country's *Minister of Commerce*.

The shift marks the increas*ing importance to New Zealand* of trade in Asia, where the country has "a geographical advantage in servicing the dynamic expansion of Asia's economies," Mr Burdon noted.

Mr Burdon was speaking in London ahead of a seminar on Trade and Investment in New Zealand. He attacked British business for missing investment opportunities there, and complained that many in the *UK retain a time-warped* impression of New Zealand as a 1950s-style appendage of the UK economy.

Over the past 20 years, in which New Zealand's farm products have been progressively excluded from the EC market, Mr Burdon noted that Europe's share of New Zealand exports has fallen from 49 per cent *to 18 per cent. The UK* share has slumped from 36 per *cent in 1970 to just 7 per cent* in 1991. At the same time, *North America's share has* fallen from 20 to 15 per cent.

Simultaneously, exports to Asia have leapt from 12 per cent to 36 per cent of exports, which in 1991 totalled a provisional NZ$15.15bn (£4.8bn). Japan is now, after Australia, New Zealand's leading export market, with South Korea fifth and Taiwan, Malaysia and *Hong Kong close behind*. Mr Burdon noted that South Korea buys no butter or fruit from New Zealand, though these remain a large share of New Zealand's exports to the UK.

"We have moved from being a highly protected economy to a market economy that complements the industrial strengths of Asia's growing economies," *Mr Burdon said*. "Asia offers enormous opportu*nities to countries like ours*. The reconstructed NZ economy offers major investment opportunities in key sectors like timber and fishing."

These have attracted no UK investment. But investment in New Zealand from Pacific region countries had been growing rapidly. Investment from Singapore has grown from NZ$85m *in 1990* to NZ$1.8bn in 1991. Mr Burdon *said the economy needed* inward investment of about *NZ$8bn over the next decade*.

Boeing and GEC to study defence systems link-up

By David White, Defence Correspondent, in Edinburgh

BOEING of the US and Britain's GEC group are to study collaboration in defence systems in response to shrinking military markets.

A broad agreement covering "selective aerospace business opportunities" has been signed between Boeing's defence and space division and GEC-Marconi, the defence equipment arm of the British group.

Although described as a wide-ranging strategic alliance, the agreement is expected to be of limited scope, at least in the early stages.

GEC-Marconi indicated that any co-operation was likely to focus initially on maritime surveillance, with a view to upgrading or replacing the RAF's current Nimrod patrol aircraft.

However, the two companies said they aimed to pursue possible joint projects in a range of areas. These could include missile systems.

The precedent for an open-ended collaboration agreement of this kind between US and British defence companies was set two years ago by British Aerospace and General Dynamics.

However, their association has so far failed to produce significant concrete results.

EC set to take Seoul to Gatt over whisky tax

EC negotiators have failed to win sufficient concessions in two days of talks on the 150 per cent liquor tax South Korea imposes on whisky, they said yesterday. Reuter reports from Seoul.

The EC is now expected to try to take South Korea before Gatt on charges of unfair trade practices, they added. Mr Gilles Anouil, head of the EC *Commission's Seoul delegation*, said the chances of a Gatt action were "high". A decision was likely in May.

Seoul offered to cut the whisky tax to 120 per cent during the talks, EC officials said. EC whisky producers say the taxes are imposed to protect Korea's liquor industry, especially the local spirit soju, taxed at *35-50* per cent.

"We have consistently said *we would take this case to* Gatt," Mr David Wright, UK ambassador, said. "*We* had hoped Seoul's request for these talks meant they would have constructive proposals. This does not seem to be so. We will look at the precise terms, but it looks as if we will have to carry on to Gatt."

If member states push for a Gatt case, the EC could ask to proceed to the Gatt Council at *its next meeting in mid-May*, Mr Anouil said. "I think there *is a high chance the* (311) committee (advising the EC) will *favour going to Gatt*."

European diplomats said the *paperwork for a Gatt case* was virtually completed before South Korea *won an 11th hour* reprieve in February by offering talks. Spirits other *than* whisky carry what industry officials call discriminatory taxes, with whisky attracting the highest duties. Other imported spirits carry an 80 per cent tax while locally-distilled gin, vodka and rum are taxed at 40 per cent.

Liquors carrying a tax over 80 per cent (all imported spirits qualify), also attract a 30 per cent tax.

EC officials want to see the ad valorem method of levying tax, based on import value, replaced by a straight tax on alcohol content. Under the ad valorem method, the costlier the product, the higher the tax.

Secret move to end Gatt deadlock

By David Dodwell, World Trade Editor

EC and US trade negotiators *met secretly near London* yesterday, trying to find compromises on world farm trade reform. If they succeeded, the way will be clear for President Bush and EC President Jacques Delors, who meet in Washington next week, to end deadlock in the Uruguay Round of world trade talks.

Brussels officials would say only that the negotiators were meeting for one day at a hotel near London's Heathrow airport. They refused to disclose if headway was made.

Next week's Washington *summit, originally a routine* meeting between the two leaders, has assumed greater importance as it has become clear it provides one of the last chances for significant progress in winning a Uruguay Round agreement before November's US presidential elections. If it fails, many fear trade conflicts will grow in the months ahead, especially between the US, the EC and Japan *(as the letter from international business leaders clearly shows on the FT's letters page today)*.

The US negotiating team was made up of Mr Julius Katz and Mr Richard Crowder from the US Trade Representative's Office. EC negotiators were Mr Guy Legras, director-general for agriculture, and Mr Hugo Paeman, the EC's senior trade negotiator. After months of *often acrimonious negotiation* between the US and the EC on farm trade reform, differences have been narrowed to:

- EC demands that income support to farmers should not be defined as trade-distorting;
- EC demands for the US to restrain exports to Europe of cereal substitutes;
- US demands for the EC to *limit the volume as well as the* value of farm exports;
- *EC demands that the US accepts a "peace clause"* under which US companies agree not *to challenge EC subsidies* under US law.

Observers in Geneva say differences on these issues are now small, the only thing preventing agreement being a lack of political will on the part of leaders.

At the fore of those pressing for a farm trade settlement is Mr Jürgen Möllemann, Germany's economics minister, who argued in Paris recently that leaders from the Group of Seven industrial countries should call a special summit if next week's Washington talks *fail to win a breakthrough*.

German anxieties are *focused on a G7 summit* in July being hosted by Chancellor Helmut Kohl in Munich, where they fear acrimony over the failure to liberalise trade may sour the meeting. But France, the EC's biggest farm exporter, has shown no sign of the flexibility needed for a Gatt deal. French farmers say they believe the new prime minister, Mr Pierre Bérégovoy, will resist pressure for deep cuts in *farm subsidies*.

Tony Andrews

Katz: failure of talks could spell growing trade friction

China still Taiwan's Gatt hurdle

Luisetta Mudie on Taipei's attempt to join the world trade body

TAIWAN'S progress towards joining the General Agreement on Tariffs and Trade (Gatt) was given a fillip last weekend with the confirmation in Taipei by Mr Martin Bangemann, European industry and internal market commissioner, that the Community supports the island's application.

That Taiwan will eventually join Gatt is not in question. It is *the world's 14th-largest trad*ing nation, with a trading volume *that* reached $130bn in 1991. While the rest of the *world wallows in recession*, Taiwan's economy is growing at *about 7 per cent*.

So far Taiwan's entry into Gatt has been *delayed by polit*ical rivalry with Beijing. Both governments, mortal enemies since the communists drove the Kuomintang (nationalists) from the mainland in 1949, claim to be the legitimate rulers of all of China.

Although both have agreed that Taiwan is to apply as the Customs Territory of Taiwan, *Penghu, Kinmen and Matsu*, Beijing insists that it be admitted first.

Political differences might not prove the only obstacle. A range of tariff barriers and outright bans on foreign goods and services remains to trouble Taiwan's main trading partners. Agricultural products are subject to an average import duty of 21.6 per cent, compared with an average of just under 9 per cent of duty on all imported products, and one big sticking point has been a ban on imports of uncured EC *meat, ostensibly for fear of foot* and mouth disease.

Other restrictions include a ban on UHT (long-life) milk from the EC and a 40 per cent duty on British confectionery. Preferential tax-rates on US beef, spirits and cigars have led to complaints of discrimination from Australia and EC countries.

Further liberalisation of Taiwan's insurance laws is already under way, but has not as yet been extended to foreign insurance companies. Foreign banks are still limited in the number of their branches, and range of products they can offer.

Foreigners are not permitted to be majority shareholders in a Taiwan-registered company, and so far have only managed to make mutual investments or joint ventures in certain key, *high-tech industries*.

But while financial services *and investment* show a general trend towards liberalisation, a *much more closed shop* attitude prevails when it comes to *tendering for* contracts in Taiwan's $300bn infrastructural *development plan*, where a lack of personal contacts and knowledge of bureaucratic shortcuts leave all but the most *aggressive* foreign bidders out in the cold.

But these restrictions are insignificant compared with the progress which must be made across the Taiwan *Strait* before China can accede to Gatt. Waiting for China could still prove the greatest obstacle for Taiwan.

***Taiwan, in an attempt to prevent trade retaliation from the US,* has submitted to the US trade representative a plan that will *tighten the island's resolve against copyright piracy*, officials said, AP-DJ reports from Taipei.**

The move came after the breakdown of talks last week between the countries on the issue of protection for intellectual property. The US demanded Taiwan check all computer software and hardware before it is shipped from the island. However, Taiwan rejected the request, claiming "technical difficulties" would hinder compliance.

Tsai Lien-sheng, department chief with the Board of Foreign Trade (BOFT), said Taiwan aimed to make the US government understand Taiwan's determination to protect the copyrights.

Japan hits at American anti-trust intentions

JAPAN'S fair trade commissioner *yesterday* protested at US plans to enforce American anti-trust laws against foreign companies, AP reports from Tokyo.

US Commerce officials attending a Tokyo conference on anti-monopoly laws say a recent decision to carry out such enforcement dates back to 1890. But the long precedent does not impress Japanese officials, who assert they will appeal to the Organisation for Economic Co-operation and Development for help to block the US plan.

Mr *Setsuo Umezawa*, Japan Fair Trade Commission chairman, said he feared *attempts* to enforce US anti-trust rules against Japanese *companies* would "obstruct economic relations" and damage mutual trust between the two anti-monopoly watchdogs. "Violations should be dealt with by the authorities in the country where they occur."

The US and Japan have agreed to end some differences in US and Japanese business and legal *traditions*, to minimise trade friction. But Mr Umezawa said he believed extra-territorial enforcement by the US Fair Trade *Commission* would be going too far.

China revises patent laws

CHINA is revising its patent laws to extend the *patent* protection period and safeguard of chemicals and pharmaceuticals, two areas of great concern to the US, the *China Daily* said, Reuter reports from Beijing.

The newspaper said Supreme People's Court *President* Ren Jianxin had told an international conference *that* China would further improve its copyright laws on its *accession* to "relevant world copyright conventions."

The head of the China Patent Office was also quoted as saying the revised law would offer the same protection given in developed countries. The legislative process should be *completed* this year, he added.

Slowdown in earnings unlikely to dent annual rise of 7%

By David Goodhart, Labour Editor

A SLIGHT drop in average earnings for February is expected to be announced by the Department of Employment tomorrow. But the fall will not be enough to push the annualised figure beneath 7 per cent.

Average earnings rising at more than 3 percentage points above inflation will be a disappointment to Mrs Gillian Shephard, the new employment secretary, who is expected to announce a further increase in unemployment tomorrow.

She will take some comfort from the fact that the latest Manpower survey of employment prospects shows a post-election surge in optimism.

There are also some positive signals in the latest pay figures compiled by members of the Confederation of British Industry (CBI) which show an increase in manufacturing pay freezes in the first quarter to one in six of all settlements.

According to the CBI, however, average settlements in manufacturing have risen slightly in the first quarter to 4.3 per cent compared with 4.2 pr cent in the last quarter of last year.

Productivity growth has fallen to 3.8 per cent from 5 per cent in the last quarter of 1991. Unit labour costs in manufacturing are rising at about 4.7 per cent, which the CBI says is in line with Japan and Germany. Settlements in the service sector were averaging 6 per cent in the second half of last year, down from 7.1 per cent in the first half.

The pay of company executives continues to rise slightly faster than that of other employees but the gap appears to be narrowing, according to the business information group Noble Lowndes.

The average manager received a 7.1 per cent pay increase over the six months to the end of March compared with 10.4 per cent over the previous six months. Four out of five managers received pay rises above inflation.

UK Output, Page 14

Government announces radical shake-up

By Alison Smith

THE largest shake-up of government posts since 1979 was announced yesterday by the new Conservative administration as Mr John Major, the prime minister, appointed MPs from all sides of the party as junior ministers.

In his first full-scale ministerial re-shuffle, the prime minister displayed a determination to widen the variety of politicians in the government by promoting MPs such as Mr Jonathan Aitken, a long-standing Euro-sceptic, and Mr Michael Mates, who ran Mr Michael Heseltine's leadership campaign. Mr Aitken becomes a defence minister while Mr Mates becomes a minister at the Northern Ireland office.

Mr Stephen Dorrell, a junior health minister, benefitted from the sharpest promotion by being offered the job as financial secretary to the Treasury. Other new Treasury ministers are Sir John Cope and Mr Anthony Nelson who joins the government for the first time as economic secretary.

Mr Major has drawn into government some of the longer-serving MPs whose abilities languished on the backbenches during the Thatcher years. These include Mr Nigel Forman, who was parliamentary private secretary to Mr Nigel Lawson as chancellor of the exchequer and becomes a junior education minister, and Mr Charles Wardle who goes to the Home Office.

The re-shuffle is also intended to strengthen the ministerial team in the House of Lords, the UK upper chamber, which has come under fire for putting up a poor performance against an opposition frontbench. Baroness Denton becomes a junior trade and industry minister, and Baroness Cumberlege becomes a junior health minister.

Mr John Redwood, formerly corporate affairs minister, and Mr David Maclean, formerly at the agriculture ministry, both on the right of the party, move to become ministers of state at the department of the environment. Mr Tim Eggar and Mr Richard Needham become trade and industry ministers.

There was surprise at Westminster that Mrs Edwina Currie turned down Mr Major's offer of a job as a middle-ranking minister. Her government career was cut short in 1988 when she had to resign as a junior health minister after inaccurate remarks about British egg production. She said yesterday that she thought someone else could "do the job far better than I, so I have declined".

Tensions at the Scottish Office during the last parliament are intended to be eased by the move of Mr Michael Forsyth to be a minister at the employment department. Lord Fraser of Carmyllie and Sir Hector Munro are the new Scottish ministers.

Taking into account the cabinet changes and those ministers who lost their seats, 22 have left the government, though only six of those resigned yesterday.

Changes in the government whips' office, responsible for party management at Westminster, are expected to be announced today.

Editorial Comment, Page 12

BA issues libel suit against Virgin rival

By Daniel Green

BRITISH Airways is counter-suing its rival Virgin Atlantic, and its chairman Mr Richard Branson, for libel over claims that BA had used "dirty tricks" to win custom.

The move comes three weeks after Virgin began an action against BA for alleged defamation. BA claimed the dirty tricks allegations were a publicity stunt. Explaining the decision to counter-sue, Mr Mervyn Walker, BA's legal director, said: "Virgin and Mr Branson have chosen to continue their campaign against us by commencing legal proceedings. They have left us no other choice."

BA's decision followed within hours Virgin's application for its case to be listed for trial. Mr Justice Drake said the listing should be on June 15, a decision which each side claimed as a victory.

"Virgin failed in its application for an speedy trial," said Mr Tony Cocklin of BA's public affairs department.

"That's not true. We applied for the earliest possible date which was June 15," said a Virgin spokesman.

Both sides seem entrenched in their positions. BA is not prepared to withdraw unless Virgin does so first.

Virgin's spokesman said it needed an apology and a withdrawal of alleged moves aimed at damaging the airline for it to drop its case.

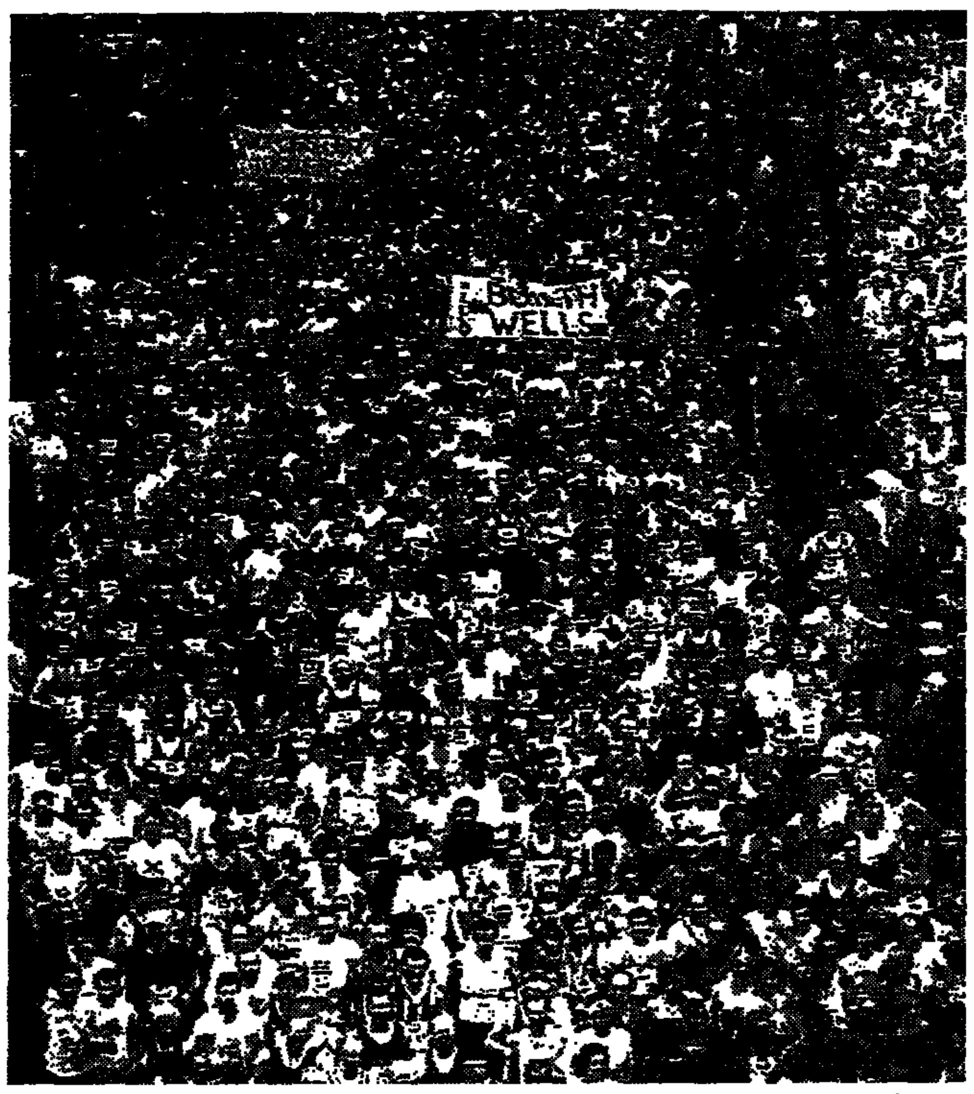
Lords urge new rules to protect EC environment

EC environmental legislation is being widely disregarded by member states and tough new rules are needed to ensure compliance, according to the House of Lords European Communities, writes John Hunt.

In a report published today, it says European Commission officials should have the power to visit industrial sites to investigate complaints that "green" regulations are being flouted.

The committee says ensuring that member states accurately report to the commission on their environmental performance remains a big problem. Only a minority, led by Denmark and the UK, fully meet their obligations to transmit reports to the Commission.

Following its investigation into the subject, the committee strongly backs the UK government's proposals for an audit inspectorate to examine the performance of environmental authorities in member states.



ADT, the alarm security and car auction group, has decided not to continue sponsoring the London Marathon, the largest event of its kind in the world. The last ADT-backed race (above) was run at weekend. The UK accounts for only 20 per cent of group sales for the company, which relies on New York as its primary stock market listing. After four years, ADT said further sponsorship of the event would not have increased awareness of ADT's name enough to justify the costs involved.

Battle commences for leadership of Labour opposition

By Ivo Dawnay, Political Correspondent

THE battle for the opposition Labour leadership was under way last night as Mr John Smith and Mr Bryan Gould declared their candidacies.

The party's national executive agreed a compromise July 18 date for the election.

Later, Mr John Prescott, Labour's transport spokesman, became the third candidate to enter the race by declaring his bid for the deputy leadership, a post also being contested by Mr Gould.

The decision on the date of the election, reached by a 15 to 10 vote after a two-hour debate, gives Mr Gould, the party's environment spokesman, just 12 weeks to halt the formidable bandwagon rolling for his rival, the odds-on favourite.

Mr Neil Kinnock, the outgoing leader who had wanted a late June election, said the date was acceptable.

Supporters of a motion by left-wingers for an October election at the party's annual conference said their 18 to 7 defeat was a victory for Mr Smith and right-wingers.

As the compromise was reached, remarks from Mr Bill Jordan, the engineers' union leader, that balloting members on the election would be "a waste of time and money" looked certain to spark fresh controversy.

At their opening news conferences at Westminster, Mr Smith and Mr Gould called for full participation of unionists, including balloting where possible, to complement voting by MPs and constituency parties.

Mr Smith used his campaign launch to project his candidacy as the steady continuation of the party and policy reform process started by Mr Kinnock.

The fundamental task for the Labour party, he said, would be to build on the party's principles. "Modern government should be pluralistic, decentralised and should be underpinned by recognition of individual rights," he added.

In an effort to present himself as the candidate for change, Mr Gould insisted that the party needed "a period of serious reflection about what went wrong and what needs to be done".

Promising a "positive and radical" agenda, he clearly sought to portray Mr Smith as the "steady as she goes" candidate who would not seek fundamental shifts in the party's policy.

Gould pins his hopes on electoral reform

IT IS a measure of the task facing Mr Bryan Gould that his candidacy for the Labour leadership is being championed in terms of the need for a frank post-election debate into the party's direction.

A thoughtful man who campaigns effectively and has the knack of getting on with people, he can claim to have leadership qualities. But instead, his candidacy is being presented as a means to an end, so as not to be seen as a spoiler prepared to sacrifice party unity on the altar of personal ambition.

If he is to upset the already formidable Smith bandwagon, Mr Gould will have to demonstrate that he has a cogent and distinctive view of what the future should hold.

This may be easier said than done. Not because the shadow environment secretary lacks vision, but because the traditional categories of left versus right are of limited value in delineating how his and the shadow chancellor's views differ.

A more fruitful tack, as Mr Gould's supporters may find, could be to portray their New Zealand-born protégé as the radical alternative to Mr Smith's small "c" conservatism.

This was the approach Mr Gould appeared to be groping towards yesterday when he spoke of the need to "move forward with a positive and radical agenda". A key aim of his campaign would be to convince party power brokers – in the words of one aide – that "reassuring people who defected in 1983 and 1987 is no longer the name of the game". To triumph in 1996, the party would need to do more than elect a safe pair of hands as leader.

Mr Gould's radical bow has several strings. On macroeconomics, he has argued strongly that a realignment of sterling within the exchange rate mechanism is necessary. Devaluation should be a once and once only step and could be accompanied by a move to the mechanism's narrow band.

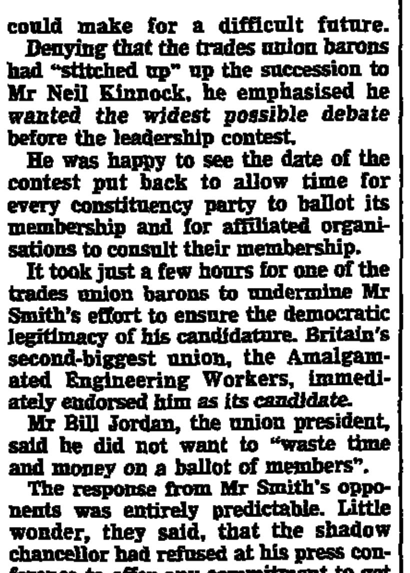
This stance is in tune with his notion of the "proper purpose" of the exchange rate being to "allow the economy to grow at a reasonable rate". As a champion of the interests of industry against City short-termism, he has never been slow to highlight the link between an over-valued exchange rate and poor manufacturing competitiveness.

On Europe, he still has a reputation as a Eurosceptic

but his true position is more complex and pragmatic, as he was anxious to point out yesterday. Britain's position in the EC should be accepted and exploited, he argues. Although an advocate of "subsidiarity" or power being exercised at the lowest possible level, he concedes there are areas of policy where a Europe-wide mandate could be desirable and appropriate.

On proportional representation, he is almost as tortured as his opponent, resorting to the formula that he has so far endorsed the Plant Commission's recommendations. He advocated setting up a convention to deal with important constitutional matters, but gave no inkling of where his preferences lay.

David Owen



Leading contenders: Gould (left) and Smith are seeking Labour's top job

Smith reluctant to be cast as favourite

MR John Smith was in characteristically circumspect mood as he launched his bid yesterday for the Labour party leadership.

The man who has built his standing in the party – and his popularity with the voters – on a reputation for dispassionate sobriety was not about to break the habit of a political lifetime.

So instead of a brave new world, the shadow chancellor offered the ranks of the press some cautious pointers to the direction in which he would take the party. Labour would be pro-European, realistic in its economic policy, relevant in its social aspirations, and committed to constitutional reform. It would be gradualist. He might almost have said conservative.

But the phrase that crept in most frequently when he was quizzed on the details of his policies – particularly towards the role of the trades unions – was that these were matters which required "most careful consideration".

Mr Smith had the demeanour of the man who knows he is going to win but is aware that the manner of his victory could make for a difficult future.

Denying that the trades union barons had "stitched up" up the succession to Mr Neil Kinnock, he emphasised he wanted the widest possible debate before the leadership contest.

He was happy to see the date of the contest put back to allow time for every constituency party to ballot its membership and for affiliated organisations to consult their membership.

It took just a few hours for one of the trades union barons to undermine Mr Smith's effort to ensure the democratic legitimacy of his candidature. Britain's second-biggest union, the Amalgamated Engineering Workers, immediately endorsed him as its candidate.

Mr Bill Jordan, the union president, said he did not want to "waste time and money on a ballot of members".

The response from Mr Smith's opponents was entirely predictable. Little wonder, they said, that the shadow chancellor had refused at his press conference to offer any commitment to get rid of the trades union block vote.

He is committed to devolution both for Scotland and Wales and for the English regions. Yesterday he backed the introduction of a "Bill of Rights". He is not prepared yet to put on the record his support for electoral reform at Westminster but is moving inexorably in that direction.

For all his reticence yesterday, Mr Smith also believes also there is no long-term future for the union block vote in shaping Labour's policies.

Despite the doubts about his tax and spending plans, Mr Smith is the man that most in his party believe could as leader have won them the 1992 general election.

But 1997 will require different qualities and, in many respects, a different Labour party.

It may be that Mr Smith's cautious approach will ensure that he leads the party into that election. Positioning his party to win it will require audacity as well as sobriety.

Philip Stephens

Britain in brief

Scots power groups make telecom bids

Two Scottish electricity companies have become the first British electricity companies to apply for licences to enter the telecommunications market and compete with British Telecom and Mercury.

ScottishPower and Scottish Hydro-Electric have applied to the Department of Trade and Industry for a licence. Last year the government opened the UK telecommunications market to competition encouraging utilities and other companies to apply for licences.

Midland Bank fined £50,000

Midland Bank, which acts as one of the largest trustees in UK for unit trust investment schemes, was fined £50,000 for its failure to prevent problems which led to the closure two years ago of the Dumenil unit trust group.

Administrative mistakes at Dumenil caused the price of units to be wrongly calculated.

The bank admitted to three failures in its supervision of Dumenil fund managers, according to a statement by the Investment Management Regulatory Organisation, one of the City's self-regulatory organisations.

Island plans budget deficit

The Isle of Man plans a budget deficit for 1992-93.

The Manx government said an estimated increase in receipts of 5.9 per cent over last year to £190m will be countered by expected net spending of £194.5m. Last year the surplus was £2.5m.

It will not borrow to meet the deficit, but bring funds forward from last year and use interest on the the £64.75m reserves and government's current account.

Wider advocacy urged in courts

The end to barrister's 200-year monopoly on advocacy in the higher courts in England and Wales came a step closer as the committee set up to advise the Lord Chancellor, head of the judiciary, endorsed wider advocacy rights for solicitors.

Solicitors in private practice, qualified for three years, who can show experience of advocacy in the lower courts and who are prepared to be trained on evidence and procedure will be allowed to present cases in higher courts.

Mr Gareth Williams QC, chairman of the Bar, which represents barristers, was critical of the minimal training solicitors would undergo to win wider advocacy rights.

TV franchise advertised

The Independent Television Commission has advertised the franchise for Channel 5, the new commercial TV station. However, it warned that a licence might not be awarded unless the retuning of several million video recorders could be carried out efficiently.

All bidders must include plans to retune or modify the 15-20 per cent of VCRs and the 10 per cent of satellite receivers expected to face interference. The cost is estimated at between £50m and £200m.

Franchise applicants are expected to include Mr Silvio Berlusconi, the Italian television entrepreneur and Five TV, a consortium which includes Mr Moses Znaimer, founder of City TV in Toronto.

Benetton ads censured

Benetton, Italian clothing company, has been censured by the Advertising Standards Authority for magazine advertisements featuring a black soldier carrying a human femur and a dying Aids sufferer surrounded by his family.

The authority "deprecated the advertisers' lack of co-operation" and its "continuing failure" to devise advertising in conformity with the self-regulatory code of practice.

The authority upheld a complaint against Northwest Airlines for claiming in a press advertisement that the airline instantly re-routed flights to avoid turbulence.

The airline "acknowledged that air traffic control were unlikely to agree a course alteration in flight".

Customs places £7m ship orders

Contracts worth £7m for two Customs and Excise sea patrol vessels have been awarded to Southampton-based Vosper Thornycroft (UK) and Babcock Thorn Royal Rosyth Dockyard.

The ships will carry surveillance technology to help combat drug smugglers.

Howard Houlder

In yesterday's paper, Howard Houlder and Partners, a shipping company, was listed as occupying 17, St Helen's Place and as being affected by the City bomb. The company moved to 74-80 Middlesex Street, E1, some time ago. It was not hit by the blast and is operating normally.

RECRUITMENT

JOBS: Advertised demand for managers still depressed despite pick-up for executive-search consultants

Mixed signs from employment market

FIRST the best news. The Jobs column cannot remember when it last heard from so many headhunters wanting posts they are offering dangled before FT readers. What's more, not all of them are for insolvency specialists.

Indeed, the influx makes such a welcome change that to refrain from outlining the offers right away might seem tantamount to looking a gift horse in the mouth. But, having lately backed other horses of optimistic colour that turned out to be the Trojan variety, I will first mention some news which is not so good.

Its nub is in the table alongside, drawn from the MSL International consultancy's *quarterly counts of* executive jobs advertised in UK *national journals.* Each post so offered is counted as one, no matter how many ads for it appear.

The table refers to the 12-month period ended on March 31 in each of the past five years. The top part shows the 12-monthly counts for each of eight broad categories of executive work. Next comes the total, which is then broken down into the all-category tallies for the three-monthly periods.

As may be seen, the table gives a sadder view of advertised demand than the preliminary results of the latest count, which *MSL* released for publication as Britain went to the polls last Thursday. Those figures focused primarily on the tally for January-March this year which showed a 13.1 per cent rise on the previous three months.

The only trouble is that the demand almost always goes up between the last quarter of one year and the first of the next. The average rise between them over the dozen years since 1980 has been 19.8 per cent. So 1991-92's 13.1 per cent is not much to cheer about.

There is admittedly better news in the *latest quarter's marketing* and sales tally, not given in the table, *which shows a 4.4 per cent* rise on January-March last year.

In general, however, advertised demand stays low. True, it may have been held down by recruiters waiting to see the election result. But I doubt whether that would *account for the 514* jobs by which the latest quarter fell short of January-March 1991.

UNITED KINGDOM ADVERTISED DEMAND FOR MANAGERS AND KEY SPECIALIST STAFF

(12 months to March 31)

Type of work	1991-2 Posts advertised	1991-2 Change from 90-91 %	1990-91 Posts advertised	1990-91 Change from 89-90 %	1989-90 Posts advertised	1989-90 Change from 88-89 %	1988-89 Posts advertised	1988-89 Change from 87-88 %	1987-88 Posts advertised	1987-88 Change from 86-87 %
Research & dvlpmnt	1,556	−45.4	2,849	−23.8	3,738	−14.1	4,353	+24.0	3,510	+ 3.9
Sales & marketing	2,220	−15.6	2,630	−24.4	3,480	−32.6	5,164	−19.0	6,373	+ 4.1
Production	2,476	−42.1	4,276	−26.6	5,823	−20.3	7,309	+17.1	6,242	+29.9
Accounting	3,182	−28.7	4,462	−32.3	6,588	−13.3	7,602	− 2.5	7,795	+15.8
Computing	872	−53.4	1,870	−37.6	2,999	−38.5	4,878	+31.5	3,710	+ 0.7
General management	953	−21.4	1,213	− 8.3	1,323	−15.2	1,561	− 5.9	1,659	+19.8
Personnel	431	−30.8	623	−41.4	1,063	− 4.7	1,115	− 0.2	1,117	+11.1
Others	3,820	−33.4	5,739	−18.5	7,044	−11.0	7,912	+14.1	6,936	+20.9
Total	**15,510**	**−34.5**	**23,662**	**−26.2**	**32,058**	**−19.6**	**39,894**	**+ 6.8**	**37,342**	**+13.7**
April-June	4,235	−44.6	7,641	−16.7	9,176	−13.4	10,593	+23.2	8,597	+ 5.2
July-Sept	3,630	−40.8	6,131	−22.0	7,858	−15.8	9,338	+12.9	8,274	+ 8.0
Oct-Dec.	3,587	−32.5	5,318	−19.6	6,627	−26.8	9,048	− 2.2	9,248	+17.8
Jan-March	4,058	−11.2	4,572	−45.6	8,397	−23.1	10,915	− 2.7	11,223	+22.4

That is nevertheless perfectly compatible with the reported upturn in business for executive-searchers and so-called contingency recruiters who keep large registers of job-seekers in various fields. With so many good people out of work or under threat, employers may *reasonably think they can* obtain suitable recruits by such *methods without advertising.*

As long as those big "buffer stocks" *of candidates remain,* recovery in advertised demand is apt to be delayed. My hunch is that there will be no marked increase until after the summer holiday.

NOW to some jobs. All are offered through recruiters who, being unable to name their clients, promise to abide by applicants' requests not to be identified to the employer at this stage of the hunt.

The first post, for a divisional managing director of a technical engineering arm of a British group, is *being handled by* Bob Archibold of Archibold Rae Consultants (11-13 The Broadway, Newbury, Berkshire RG13 1AS; tel 0635 33445, fax 0635 36701.)

Based not far from London, the division has a £100m turnover and *embraces 17 companies* in several countries. End-uses for its products range *from motor* vehicles and farming machinery to precision electronic and medical equipment.

Besides having a relevant *degree, candidates* should have built profits as head of a £50m-£70m-*turnover* technical operation with branches abroad. Acquisition experience also wanted.

Pay £100,000 or so, with car and prospect of share-options.

Next to Scotland where a UK group's subsidiary seeks a chief accountant through Antony Taylor (Taylor and Taylor, 28 Buckingham Palace Rd, London SW1W 0RJ; tel 071-828 7234, fax 071-630-0285).

Applicants should be qualified accountants skilled in people-management as well as having success in the technical part of the job: to *maintain tight financial* control across the multi-site company, *including overseas offshoots.*

Salary about £35,000, plus car.

Thence to a *marketing* and sales directorship with a European group's promotional-printing subsidiary in Wales, offered by Dermot Hoare of Mandate Consultants (109 Jermyn St, London SW1Y 6HB; tel 071-586 3653, fax 071-911 0614).

On top of proven marketing and sales ability in a similar business, candidates should *have the* general management skills to earn swift promotion to chief executive.

Salary indicator £45,000 with bonus on results. Rest negotiable.

Lastly to two jobs in Hungary and another pair in *Czechoslovakia,* offered by Graham Walker of Anthony Nevile International (69 Midton Rd, Ayr, Scotland KA7 2TW; tel 0292 287969, *fax* 0292 611038). All are with acquisitions of a London-based mining company.

The Czechoslovakian venture is in industrial-mineral *quarrying,* and needs a general manager and a sales and marketing *manager.* The Hungarian centres on quality stone for buildings, *and needs* a finance director and a production manager.

Candidates must in all cases have relevant skills and industrial *backgrounds,* plus appropriate language ability (German would do *except* in the finance post which requires Hungarian) and overseas experience. Salaries range upwards from UK equivalent of £45,000, with expatriate perks where justified.

Michael Dixon

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Uniting against the rest of the world

Andrew Fisher on the restructuring of German industry

A distinct chill has crept into many of Germany's boardrooms recently. The domestic boom, caused by unification, which shielded German industry from recession abroad, is coming to an end.

More seriously, foreign competition is increasing, not just from Japan but also from the rest of western Europe where production costs are lower. Companies throughout Germany have begun taking drastic action to shave costs and strengthen their product ranges.

According to a poll by Munich's Ifo research institute, most German companies are less satisfied with conditions at home than they were three years ago, blaming high costs and taxes, short working weeks, and tough environmental rules.

More than half have taken action, such as cutting their German labour force or shifting output abroad.

Ominously, Ifo said the EC internal market and the opening up of eastern Europe would intensify competition, not just between companies but also between locations. Adding to industrialists' concern is the current wage round, with claims approaching 10 per cent.

"In the past, we've been too generous with wage increases," says Achim Diekmann, managing director of the motor industry association (VDA). German productivity is high, but European competitors are catching up. Moreover, foreign labour costs are much lower; in the UK they are 60 per cent of Germany's, in France 59 per cent, and in Japan 76 per cent.

Two companies whose actions show how German industry is facing up to the stiff challenges are Kugelfischer, the bearings maker, and Degussa, the precious metals, chemicals, and pharmaceuticals group. Both have experienced steep falls in demand and are heavily dependent on non-German markets. They also have strong ties to the motor industry, but their problems go beyond just one sector.

KUGELFISCHER

Based in the German bearings capital of Schweinfurt in northern Bavaria, the company has moved decisively to combat a slump in demand and disappearing profits. Net income dropped by 42 per cent in 1990 to DM52m (£18m). Last year, the company, which derives 60 per cent of its turnover from abroad, made a loss of some DM80m.

It has cut its workforce and is striving to lower its fixed costs so that it can avoid losses when operating, as now, at around 80 per cent of capacity.

Around a quarter of its west German workforce of 18,000 is on short-time working. Order books contain enough work for less than six months, compared with nearly eight months a year ago.

Further high wage settlements will make matters worse. "We can't afford settlements anywhere near last year's 7 per cent," says Wolfgang Masuch, commercial director. "This will simply increase pressures on companies to rationalise their domestic operations."

Rationalisation is a polite word for cuts and closures. Kugelfischer has not shut any west German plants, but it has hacked back its labour force.

Last year, it shed 5,600 employees. This included 3,400 at its new east German bearings subsidiary where the job losses needed to improve efficiency were increased after demand collapsed in eastern Europe.

In west Germany, most cuts were effected through early retirement and by not replacing those leaving; there were fewer than 100 redundancies. Subsequent losses will be more painful, and will involve up to 800 redundancies.

Kugelfischer is not only wielding the axe, however. It is also trying to make its activities less dominated by bearings, which account for some 75 per cent of its DM4bn turnover.

This would balance its dependence on industries like vehicles and engineering, though the textile sector – to which it sells industrial sewing machines – is hardly buoyant either at present.

At the same time, it is upgrading production to make more sophisticated products. "We want to supply whole systems, not just components," Masuch explains.

Thus, Kugelfischer's car hub units include flanges to help lubrication and assembly; it also makes a wheel bearing unit with sensors to monitor speed for anti-skid brakes.

On the non-bearing side, its sewing technology has been expanded with a hydro-cutter using a razor-thin water jet at twice the speed of sound to slice through materials such as plastics and printed circuit boards, as well as textiles.

DEGUSSA

With its grandly named Degussa 2000 strategy, the Frankfurt-based company began trying to reshape itself in 1989.

Gert Becker, the chief executive, says this process has been speeded up as a result of its declining performance, with net income down last year by 33 per cent to DM99m. "It's an advantage that we can now say to the workforce: 'We've got to do this now'."

Thus the company has also trimmed its labour force – by 2,200 people last year to 33,000. A further 1,000 will go by autumn, 1993, possibly a third or more through redundancies. For the first time, it is investing more abroad than at home as it builds up specialty chemicals production mainly in the US, but also in Brazil, India, Taiwan, and Belgium.

Degussa's wide product range includes materials for tyres and catalytic converters, for animal feeds, and for environmental applications like phosphate-free detergents.

Around 70 per cent of its DM13bn turnover comes from abroad.

It plans to float a minority stake of its expanding pharmaceutical subsidiary, Asta Medica, on the stock exchange to raise funds, the first time it has taken such a step.

Degussa is struggling to stem losses at Leybold, its vacuum technology unit for which it is seeking a partner to develop products for the electronics industry.

With the aid of McKinsey, the management consultants, Degussa has worked out a programme to reduce central administrative and research staff and push these functions out to the operating units; this will account for most of the coming job losses.

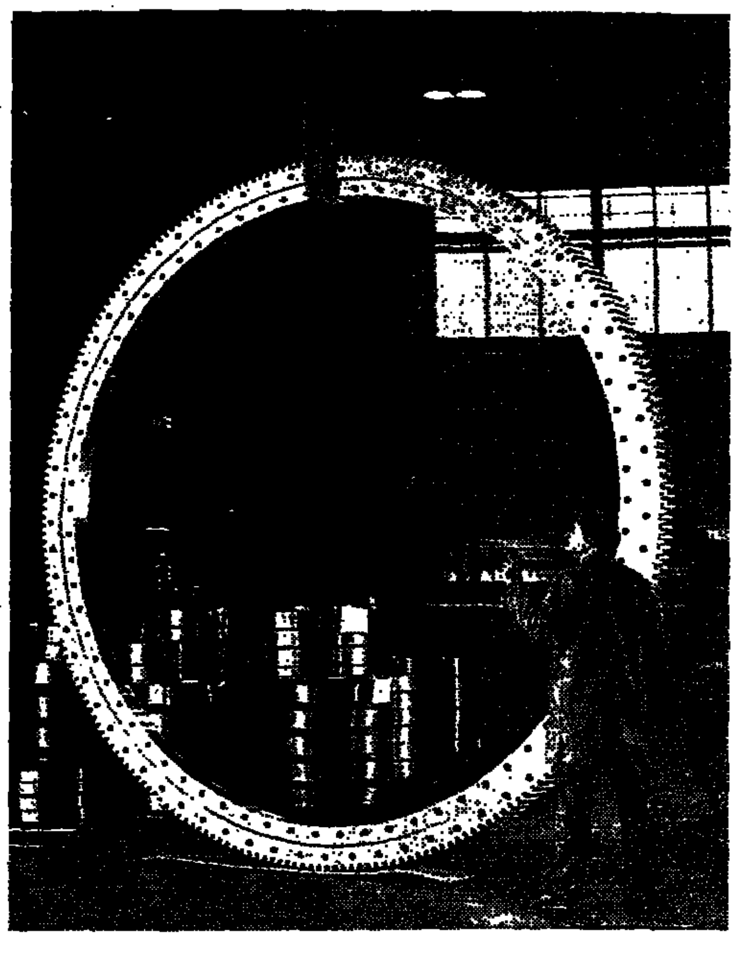
Central overheads will thus be cut by about 25 per cent and research costs will be more related to divisional needs. "We've got to reduce the core of Degussa and spread the group out more horizontally," Becker says.

Examples like these abound in German industry. Kolbenschmidt, the vehicle parts maker, plans to shift more piston output to France and Brazil. Mercedes-Benz wants to cut car production jobs and buy more parts from cheaper foreign sources like the UK.

MAN Roland, the printing machinery maker, is cutting its workforce by 750 people after a shrinkage in orders, although it declined to discuss this while it was talking to the unions.

These companies know that when the world economy does finally pick up, their competitors will still be breathing hard down their necks.

Thus the rest of the 1990s is likely to prove strenuous for managers and workers alike as German businesses endeavour to avoid being overtaken by their foreign rivals.



German companies' reactions to trends at home

(% of those polled)

Measures		All manuf. industry	Capital goods sector	Consumer goods sector
Job cuts in Germany	Implemented	27	34	22
	Planned	8	13	5
Production shifts abroad	Implemented	20	35	16
	Planned	8	10	9
No home expansion, but growth abroad	Implemented	9	19	5
	Planned	6	9	7
More processing done abroad	Implemented	12	21	10
	Planned	5	9	5
No measures taken or planned		45	40	43

Source: Ifo Institute, Munich. 500 companies polled.

Long and short of being a director

By Norma Cohen

Abraham Lincoln, the 6'5" American president, was once asked by a heckler how long a man's legs ought to be. "Long enough to reach the floor," he said, providing the proper reply to such a question.

In an ideal world, a director's contract should also be long enough to reach the floor – that is, long enough to get the job done. But 'just how long is long enough?' is a question that has become central to the debate over how to make directors more responsible to shareholders.

The Committee on Financial Aspects of Corporate Governance, the panel headed by Sir Adrian Cadbury, is expected to recommend that directors' terms be limited to three years.

While that is too short for some of the panel's members drawn from industry, it is far too long for those who represent investors.

Institutional shareholders have found the problem particularly worrisome when they have tried to fire directors whose performance has been poor. A sacked director with five years to run on a contract is an expensive ex-director indeed, as shareholders have too often found.

Consider the case of Lasmo, the oil services company, which last year paid £6.7m to the board of Ultramar which it acquired in a hostile bid. At Ultramar, not only were the directors highly paid. They were also on five-year rolling contracts, the maximum allowed under the UK Companies Act. Contracts longer than that require special shareholder approval.

"It rather grates on shareholders that we have to pay through the nose to get rid of incompetent management," said Paddy Linaker, chief executive of M&G, the unit trust company and chairman-elect of the Institutional Fund Managers Association.

"In this business, five years is not unusual and that is too long," Linaker said. He argues that directors should not generally be on contracts longer than a year.

There might be exceptions: a chairman brought in to salvage a company believed to be on the verge of bankruptcy, or one who had been poached from a competitor, might merit a longer contract, he argues.

IFMA wants shorter contracts, not only because of cost, but because they arguably provide greater protection against complacent directors. The group argues that while contracts should be short-term, incentives should be long-term. That way, good directors would have to stay longer to take advantage of stock options and other perks that make their jobs so attractive.

But not all shareholders take a hard line on directors' terms of office. Some fund managers have coyly suggested that those of their colleagues who take a softer view are themselves the beneficiaries of long-term contracts.

"You will find that the shareholder-owned companies take an easier view," said one fund manager at a mutually-owned life insurer. The fund manager, who is on a one-month rolling contract, adds that his own situation is typical of Scottish fund managers. Similarly, Linaker is on a one-year contract while Charles Nunnelly, managing director at Robert Fleming Asset Management and the current chairman of IFMA, is on a six-month contract.

But the Institutional Shareholders Committee, which shares offices with the Association of British Insurers, has been far more cautious in suggesting limits on directors' terms of office.

"We say that directors should offer themselves for re-election periodically and we suggest that a third should be up for re-election every year," said one ISC member. "And if you think that sounds thin, then I agree with you."

Meanwhile, the ISC is arguing for greater disclosure of directors' service contracts generally. Currently, companies are required to make the contracts available to anyone who comes to their premises to view them during an "open period" lasting a few weeks each year.

But few institutional shareholders take up the offer.

BUSINESS AND THE ENVIRONMENT

Peter Knight assesses whether companies really benefit from showing off their environmental credentials

The truth but not the whole truth

More and more European companies are voluntarily lifting their environmental skirts to reveal information about their green performance.

The revelations are in the form of publications aimed at the general public, although some firms target specific groups, such as shareholders, employees and the local communities in which they operate.

Many of the companies that have published environmental reports, however, wonder if it is worth the trouble. The reviews are often ignored by the public or criticised for being bland and empty by environmentalists.

The pressure to publish comes from both the public and the law. Environmental groups and local communities are increasingly interested in what pollutants are produced behind the factory gate. Industry – sometimes begrudgingly – acknowledges that the public, especially local communities, have a right to know.

Limited data on pollution are now available to the UK public under the Environmental Protection Act. But this obligation is not as onerous as the US's Superfund Amendment and Reauthorisation Act, and industry realises that the quality of its voluntary responses will help determine the strength of future laws.

Now companies are asking how much the publication of environmental data really benefits a business. "There seems to be a split between Americans and Europeans on this issue," says John Elkington of consultants SustainAbility, who has worked with companies on their reports.

'If we are going to gain the public's trust, we have to publish results'

"People in the US are saying that their legal requirements to publish information go far enough and there is no need to talk to a wider audience. They're advising their European counterparts to throttle back on information placed in the public domain."

Regardless of this advice a small but highly influential group of companies are continuing with their efforts to be more open about both the good and bad elements of their environmental impact. Norsk Hydro's UK company led the way two years ago with a comprehensive report, with verifying comments from Lloyd's Register.

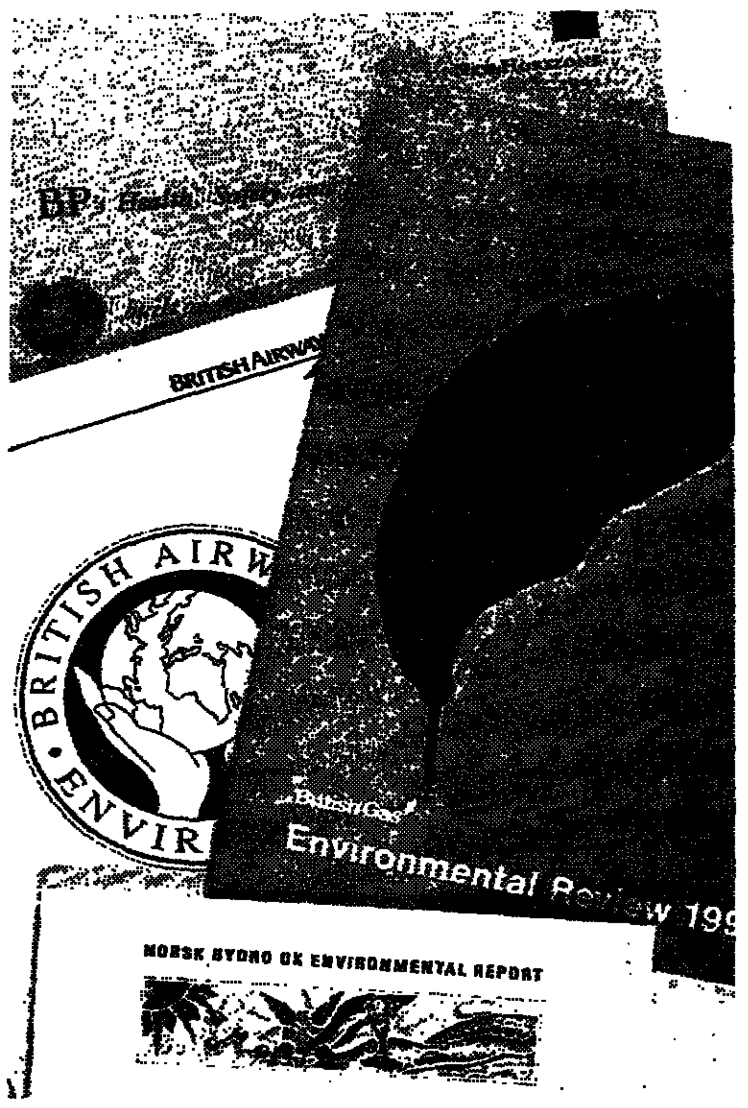
British Airways followed with a slimmer but highly factual report on its Heathrow operations, compiled from a survey conducted by environmental consultants Technica. These reports recently shared the first award on environmental reporting by the Chartered Association of Certified Accountants.

BP produced a safety and environmental review, called New Horizons, and was criticised for failing to publish concrete figures and clear improvement targets. British Gas's first review is equally short on figures and talks in general terms about the environmental issues facing the company, such as methane leakage, derelict land and the problems of exploring in tropical rain forests.

ICI's corporate environmental report, published last month, is more frank than most. The company lists the number of prosecutions for environmental transgressions worldwide (26 in 1991 and 36 in 1990) and gives data on the amount of waste produced, the type and where it ends up.

Critics of ICI have called for greater detail, such as a breakdown of the hazardous waste category into specific wastes. Some also question the validity of the figures which were not audited by outsiders. Greenpeace says ICI should publish more information about its continuing production of CFCs.

But by merely producing some figures, the company has demonstrated that the data are collectible and can be presented in an accessible form. This puts paid to the industry-perpetuated myth that such statistics are too difficult to collect and impossible to present to non-specialists. "If we are going to gain the public's trust, then we have to publish the results," says ICI director Chris Hampson.



But he emphasises that the figures are indeed difficult to collect, mainly because the process is new to the company and there are no standards. Shell UK, which is in the process of collecting environmental information to publish in the autumn, agrees with this argument.

Industry also feels that data on some wastes are commercially sensitive and could be used by competitors to work out manufacturing cost and margins. The UK's power producers use this argument to fight for the confidentiality of information given by them to HMIP, the government's pollution agency.

But possibly more important, companies have to overcome internal resistance. "Our people were concerned about us doing it because when you publish these sort of figures you expect to get a lot of flak. We spent a year collecting the data and working with the people at the plants to equip them to handle the possible questions that might arise after publication," says Hampson.

Chemical companies, supported by their trade associations, are making greater efforts to talk to their employees and the communities which play host to their plants. Dow Europe, the European arm of the US-based multinational, is about to publish a review aimed specifically at employees.

It is also important that the companies are seen to be improving their environmental performance, rather than only making vague promises. IBM UK, for example, has published clear targets, including dates, of when it intends to achieve certain goals.

Companies emphasise that their first reports represent an initial step and that the quality of reporting will improve. "The British Gas Review is a statement of our current position. The next edition will be more factual and more numerical," says Mike Arnold, group director of safety and environment at British Gas.

The quality of green reporting in the future depends to a large extent on the corporate willingness to communicate both good and bad news. While there indeed might be resistance from managers at the sharp end of the business to reveal too much, the first round of reporting exhibits the glossy hand of the public relations experts.

This often involves big photographs of happy, pretty people. The British Gas report is a good example: full-page pictures of an old lady keeping warm, and a young girl swimming in a gas-heated pool.

Rob Gray, a judge on the Chartered Association of Certified Accounts panel, does not hold out much hope for voluntary reporting. "I have real doubts whether we will see regular, good and widespread reporting without regulation. All the evidence from accountancy research shows that until there is strong cajolery, it won't happen."

Roger Hardman, environmental analyst at stockbrokers James Capel, agrees. "Round promises are meaningless. Companies have been making statements in their annual accounts about things like ethics and sexual equality for 20 years and nothing much has changed. I want to see hard evidence of environmental improvement. And I want these reports to be written by outsiders with a reputation for integrity."

Steve Warshal, editor of Greenpeace Business, wants more. "There's a big information gap between our knowledge of what business does and what it says it does. The ICI report, for example, does not say anything about the fact that the company is the biggest producer of CFCs in Europe."

While industry can be legitimately concerned about some of the commercial drawbacks of being more open with the public, companies should take heart from ICI's experience.

"When we completed the task of collecting and publishing the figures I asked one of our plant managers what he would do differently," recalls Hampson. "He said: 'Next time I wouldn't lose so much sleep about it'."

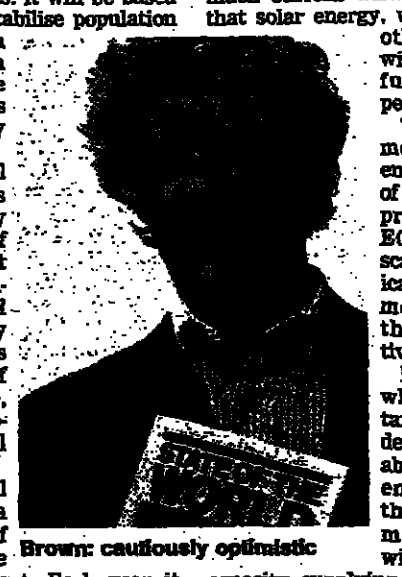
Nothing less than a green revolution

By John Hunt

A "green" revolution comparable to the agricultural revolution of 10,000 years ago and the industrial revolution of the 19th century is needed to halt global environmental degradation, according to Lester Brown, president of the Worldwatch Institute, the Washington-based environmental research foundation.

He is cautiously optimistic about the future of the planet even though the institute's recent State of the World report says that the global environment has deteriorated dangerously in the 20 years since the original world environment conference in Stockholm.

Unlike the earlier revolutions he sees the new economic and social transformation being compressed into a few decades. It will be based on the need to stabilise population size to achieve a balance between humans and the natural resources on which they depend.



Brown: cautiously optimistic

The industrial revolution was made possible by exploitation of fossil fuels but the environmental revolution will mean a shift away from these fuels which give off carbon dioxide, the main contributor to global warming.

The annual report shows a dismal picture of continued decline in the environment. Each year it records that forests are getting smaller, deserts larger, topsoil is eroding, the number of plant and animal species is diminishing, greenhouse gases increasing and stratospheric ozone depleting.

"There have been thousands of local environmental successes, many pieces of national legislation, international agreements such as the Montreal Protocol – and still the trends are heading in the wrong direction," he says. "If all these trends continue it will eventually undermine the global economy. We cannot survive the continual degradation of the planet."

He is gratified by the greater environmental awareness of many businesses. In the early days they merely put in a public relations executive to deal with such problems. At a later stage they began looking at their operations – energy efficiency, cleaner production, recycling and waste reduction.

Now, he says, some are asking if there is a place for man-made products in an environmentally sustainable world? Brown says that for industries such as coal the answer is no.

But in contrast there will be an enormous future for a company manufacturing environmental technology such as high-efficiency light bulbs. "In the 1990s and the early 21st century there will be growth in such areas comparable to the expansion in computers over the past two decades." Contrary to much current wisdom, he believes that solar energy, wind power and other renewables will replace fossil fuels over a period of time.

"If an environmental tax on energy is adopted of the kind being proposed by the EC we will see scales tilt dramatically and investment go into these alternatives," he said.

In California, where there are tax incentives for developing renewable non-polluting energy sources, there are 1,400 megawatts of wind generating capacity supplying more than 1m people. In addition, solar thermal energy, using mirrors guided by computers to train sunlight on a cell, produces 400 megawatts of electricity for 500,000 people.

Cheap solar energy can also be used to separate hydrogen from water for use as a fuel. He foresees companies in northern Europe investing in Spain and Africa to develop these forms of energy.

Brown is encouraged by the greater environmental awareness in Britain but points out that the UK is not a leader in energy efficiency or recycling. So will mankind solve these problems? "I think we can turn things around but it will take a far greater effort than most people imagine," he said.

FT LAW REPORTS

Perils clause is one-sided

THE LEFTHERO
Court of Appeal (Lord Justice Lloyd, Lord Justice Woolf and Lord Justice Russell): April 1 1992

A CHARTERPARTY clause exempting shipowners and charterers from liability for delay caused by specified perils including "restraint of princes", does not exempt charterers from demurrage liability in the absence of clear wording to that effect, irrespective of whether the peril was operating before or after the demurrage period began.

The Court of Appeal so held when allowing an appeal from Mr Justice Evans's decision that Voest Alpine Intertrading, charterers of the Lefthero, were not liable for demurrage to the shipowners, Ellis Shipping Corporation.

LORD JUSTICE LLOYD said that on May 18 1983 Lefthero was chartered on Gencon form to load and carry a cargo of steel products to Bandar Khomeini at the head of the Persian Gulf.

The Iran-Iraq war was at its height. The dangers of sailing in those waters were well known.

Laytime was to count continuously from arrival at the pilot station at Bandar Abbas at the entrance to the Persian Gulf, until passing the pilot station on the return voyage, except for actual steaming time to and from Bandar Khomeini.

The vessel arrived at Bandar Abbas on July 7 where she gave notice of readiness. From there vessels destined for Bushire and beyond proceeded in convoy. Lefthero missed the first convoy but caught the next which left on August 6.

From Bushire she continued in another convoy bound for Bandar Khomeini.

On August 10 the pilot turned back, on the ground that the vessel could not make sufficient speed. If she had been permitted to proceed, she would have arrived at Bandar Khomeini on August 12, with eight days laytime still in hand.

On August 22, the vessel made a second attempt, starting four hours ahead of convoy. Again the pilot turned back, for the same reason.

The parties agreed, without prejudice to liability, to discharge at Bushire. Discharge was not complete until February 3 1984.

The charterers claimed damages for the owners' failure to discharge at Bandar Khomeini.

Arbitrators rejected the owners' first defence, that Bushire was "as near" to Bandar Khomeini "as the vessel could safely get" and was therefore an alternative contractual destination. An addendum, which did not include those words, prevailed over the printed words, which did.

The second defence was that Clause 28 of the charterparty provided that "neither the vessel nor the owners or master nor the charterers/shippers/receivers" should be responsible for any delay resulting from "Act of God, act of war, perils of the seas ... restraint of princes ..."

The arbitrators held that the action of the authorities in requiring the vessel to return to Bushire fell within "restraint of princes". There was no appeal against that finding.

But then came the owners' counterclaim for demurrage. The charterers argued that if the owners were protected by clause 28, so were they. What was sauce for the goose was sauce for the gander.

The arbitrators said that just as the charterers' claim could not succeed because of the "restraint of princes" exception, the owners' demurrage claim could not succeed to the extent that demurrage accrued due to the same excepted cause. They said "the owners can only recover demurrage to the extent that it would have been incurred if the ship had been permitted to discharge at Bandar Khomeini".

They calculated that the vessel would have been detained 18 days beyond laydays, which at $4,500 per day came to $81,000.

The owners appealed. Mr Justice Evans upheld the award. There was now a further appeal.

On the face of it, the words of clause 28 were wide enough to cover charterers' delay in discharging where it arose from restraint of princes. If the charterers were not so protected, the clause was very one-sided.

But it had long been the law that to protect a charterer against liability for demurrage, the language of the exceptions clause must be clearly worded to that effect. In *Kalliopi A [1988] 2 Lloyd's Rep 101* the Court of Appeal held that "Act of God, restraint of princes ... unavoidable hindrances which may prevent the loading and discharging ... always mutually excepted" in clause 36 of the charter did not protect charterers once laytime had expired. Lord Justice Staughton referred to the maxim "once on demurrage always on demurrage", which he held was but an example of the general principle that an ambiguous clause was no protection. Applying that general principle he held the clause was insufficiently clear to protect the charterers after expiry of laytime.

He quoted from *The Dias [1978] 1 Lloyd's Rep 325,329* where Lord Edmund-Davies said unless the meaning to be attached to the clause "is clearly the one urged by the respondents", the appeal should succeed.

The *Kalliopi* was followed in the *Forum Craftsman [1991] 1 Lloyd's Rep 81*. There Mr Justice Hobhouse said "the clause has to demonstrate a clear intention that the exception should apply even when the vessel is on demurrage".

Mr Siberry for the charterers sought to distinguish *Kalliopi*. He pointed out that the language of the two clauses was different.

But if anything clause 36 in *Kalliopi* was more favourable to the charterers, since it adverted specifically to loading and discharging. Also it included "always mutually excepted". That might suggest the clause was intended to protect the charterers after as well as before expiry of laytime; but that was not the view taken by the Court of Appeal.

Mr Siberry's second submission depended on the different factual situation.

In *Kalliopi* Lord Justice Staughton referred to a justification for the maxim "once on demurrage always on demurrage".

If the vessel had discharged within her laydays, she would have been unaffected by any subsequent cause of delay.

But if she was still discharging when the excepted peril supervened and laydays had already expired, it could be said the cause of delay was not the excepted peril, but the charterers' breach in failing to discharge within laydays.

In the present case, the excepted peril, restraint of princes, operated *before* laytime expired.

Mr Siberry contended that distinction was important. He said it meant that "once on demurrage always on demurrage" did not apply – the cause of delay was not charterers' breach, but the excepted peril.

That was, Mr Siberry contended, the true explanation of *Kalliopi* and *Forum Craftsman*.

It was true that in *Forum Craftsman* the vessel was already on demurrage when she was ordered off the berth.

But in *Kalliopi* the peril was in operation before the vessel came on demurrage, so the factual situation was the same as in the present case.

There was no support for Mr Siberry's suggested distinction in Lord Justice Staughton's judgment. He said: "The vessel was already affected by congestion during the laytime; the charterers' breach in failing to discharge her within the laydays did not of itself cause her to be exposed to any subsequent peril. *However I do not regard that as a ground for holding the general rule to be inapplicable.*"

So it was clear that the court regarded the general rule as applicable even though the vessel was not already on demurrage when the peril operated.

That disposed of Mr Siberry's second submission.

This was a case where the maxim "once on demurrage always on demurrage", and the various judicial explanations and justifications for the maxim, had tended to confuse rather than clarify the issue.

If it was not already too late, it might be better if, within the general principle stated in the *Dias*, the maxim were confined to the operation of laytime exceptions, strictly so called, for example Sundays and holidays excepted, which did not apply once laytime had expired.

The appeal was allowed. Their Lordships agreed.

For the charterers: Richard Siberry QC (Clyde & Co).
For the shipowners: Timothy Young (Ince & Co).

Rachel Davies
Barrister

PEOPLE

If the first big announcement from Derek Wanless (above) as group chief executive of National Westminster Bank is anything to go by the new regime at the top of Britain's second biggest clearing bank may turn out to be less exciting than expected.

Tom Frost, Wanless's predecessor, had already announced that Bert Morris, 57, would be replacing Roger Flemington as deputy group chief executive. Wanless has now confirmed Morris's appointment – the only difference is that he takes over immediately rather than at the end of May. In the past NatWest has often operated with two deputy chief executives but it is understood that Morris will be the sole deputy.

However, Wanless seems to be biding his time before reshuffling his team in a more substantial way. He himself will retain responsibility for NatWest Markets, which combines the group's corporate, investment banking and trading operations. Meanwhile, Morris, who began his banking career in St Helen's in 1956, retains responsibility for the group's support services.

Structure demolished at Taylor Woodrow

Colin Parsons, who took over the chairmanship of Taylor Woodrow less than a fortnight ago after a surprise boardroom coup, has moved quickly to cut back the proliferation of titles at the top of the loss-making construction giant and introduce some younger faces.

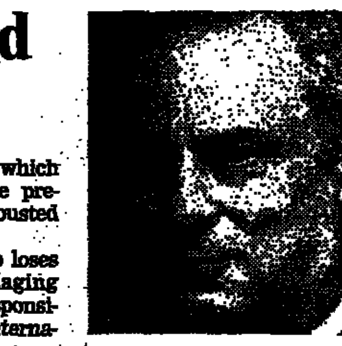
He has dismantled the previous structure which included two deputy chairmen and three joint managing directors and replaced it with a three-man senior executive team led by himself. The other two are Tony Palmer, 55, the chief executive, and David Green, 48, finance director, who only joined the group in 1985.

Under the reshuffle, Peter Hedges, the 49-year-old head of the Taylor Woodrow Property Company is stripped of his title of deputy chairman and joint managing director, but his powerbase will be increased since he has been given responsibility for the group's flagship St Katherine's Dock development in London, which had previously been the preserve of Peter Drew, the ousted chairman.

Walter Hogbin, 54, also loses the title of joint managing director, but retains responsibility for the group's international construction business.

Meanwhile, John Topping, 62, the deputy chairman who has played a key role in the development of the group's property interests, will retire from the board after the annual meeting on June 12. Lord Bellwin, 69, who has been a non-executive director for seven years, has resigned with immediate effect.

Although Taylor Woodrow has recently recruited Sir Kit McMahon, the former chairman of Midland Bank, the group's team of non-executive directors looks in need of strengthening. Charles Hambro, the other non-executive director, has sat on the board since 1982.



Geoffrey Wilson, one of London's best-known developers, has given up his executive role at Greycoat, the company he founded 14 years ago.

Wilson says he wants to oversee the company's strategic direction; it is increasingly accepted in business that executive and non-executive roles should be separated, he says. "I intend to be an active and committed non-executive chairman. There is no question of my departure."

Although Greycoat is widely admired for its buildings, it is vulnerable to the severe downturn in the London office market. Its shares, which stood at 397p last year, are now 33p.

Wilson, 58, says his decision has not been influenced by recent heart surgery, from which he has totally recovered.

He will become non-executive chairman from August 1. Richard Guignard, the company's long-serving finance director, now becomes managing director, finance, Peter Thornton, currently joint managing director, becomes managing director, property, and Christopher Strickland, construction director, becomes development director. These changes take effect immediately.

■ David Gibbs is appointed a director of HAMBROS CURRENCY FUND.

■ Bill Dootson, Peter Botham and John Hobson have been appointed directors of HENRY COOKE LUMSDEN.

■ Helen White, formerly director of business development of GrandMet Foods Europe, is appointed a director of SWISS BANK CORPORATION's corporate finance division.

■ Christopher Kemball, previously head of Dillon, Read's European operations, has joined BARING BROTHERS as a director.

■ Ian Chimes and Craig Walton have been appointed deputy md and marketing director respectively of HENDERSON UNIT TRUST MANAGEMENT.

■ Catherine Johnson has been appointed head of European equity syndicate of JP MORGAN SECURITIES in London.

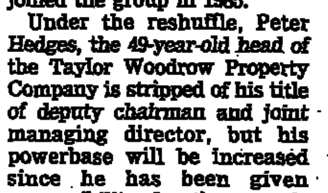
■ John Breame, Ian Hannam and Andrew Robertson have been appointed directors of ROBERT FLEMING & CO.

■ Peter Spencer has been appointed chief economist of KLEINWORT BENSON; he moves from LEHMAN BROTHERS INTERNATIONAL.

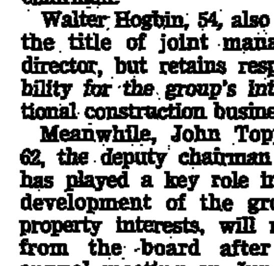
■ Kazuo Asao has been appointed md of YASUDA TRUST EUROPE; he succeeds Yoshio Mikoshiba who is returning to Tokyo.

■ Sir Ian Denholme is retiring as chairman of MURRAY JOHNSTONE HOLDINGS but remains as deputy chairman; he continues as chairman of the Murray Johnstone Investment Trusts. Nicolas Mcandrew (below left), md of Murray Johnstone, also succeeds Raymond Johnstone as chairman.

■ Ron Noakes (below right) has been promoted to head of finance and marketing at the AGRICULTURAL MORTGAGE CORPORATION.



Non-executive directors



■ Colin Short (left), finance director of ICI, and Robert Napier (right), chief executive of Redland, at UNITED BISCUITS.

■ Ian Martin, group md and chief operating officer of GrandMet, at GRANADA.

■ Tony Bashell at ABERDEEN TRUST.

■ John Cohen has resigned from DAKS SIMPSON.

■ Stratton Mills as chairman of HAMPDEN HOMECARE; John Goldstone has retired as chairman and is to be elected life president.

■ The Rt Hon Julian Amery has retired from WESTERN DEEP LEVELS.

■ Richard Duggan, previously group chief executive of Trade Indemnity, at OMI INTERNATIONAL.

■ Jacob van Geest is resigning from GEEST.

■ Steven Moore, a partner with MacIntyre Hudson, at MARINER INVESTMENT DEVELOPMENTS.

■ TARMAC has appointed Paul Flannery development director, Peter Hinsley production director, and James Kinmond technical director of Gotheridge and Sanders. Stephen Butler is appointed production director of Tarmac Homes Yorkshire; Charles Finn development director of McLean Homes Scotland; Michael Hitchen technical director of McLean Homes North-West and Cheshire; and Steven Sayers sales and marketing director of McLean Homes North-East. Ken Escott is appointed md of Crown House Engineering; he is taking over from Brian Boyes who will retire as chief executive at the end of the year. Pat Churchard and Phil Nesbit are appointed to the board of Crown House Engineering.

TELEVISION

Caviare to the general

Christopher Dunkley

It is as much a waste of time to complain about the general vulgarity of television as to object to the average height of the population. Once you involve the profit motive (or, as Ben Elton kept saying on election night, the "profit motif", unless it was "Prophet Mo Teef") it is inevitable that a mass medium such as television will seek to maximise its audience. Experience suggests that this may be true even without the profit motive: the BBC has long felt the need to get big ratings some of the time in order to sustain its claim on the licence fee. The important consideration for the more demanding viewer is, what proportion of the output is vulgar nonsense, and, as television continues to expand, the extent to which bad is driving out good.

For newspaper commentators to condemn programmes such as *It's Bizarre!* is hypocritical and pointless. Hypocritical because this new Saturday night "infotainment" series on parts of the ITV network is remarkably similar in subject and tone to much of the popular press. True, *Tit Bits* and *Weekend* which relied on a similar collection of "just fancy that" stories, no longer exist. But many of the items in the opening edition would have sat quite unremarkably in the pages of *The Sun* or *Sunday People* and, I suspect, in several instances have already done so. The woman "married" to identical twins, the "wolf boys", and the sex therapist who rented Norman Lamont's house, all seemed distinctly familiar, though the Welshman who eats live worms was certainly, er, novel.

Co-presenter Linda Lusardi first came to public attention on Page 3 of *The Sun* where, of course, very large parts of her were on display. It might be argued that covering up her main assets before putting her on television was counter-productive, but presumably most people would regard her television appearance as less "vulgar" than her newspaper appearance. Furthermore, in any contest for the sleaziest, not to say most ridiculous, excesses of the mass media, print would still beat television hands down. No broadcaster has yet come up with anything to compete with the US's *National Enquirer* or Britain's own *Sunday Sport*.

There is even one instance at present where it could be argued that the bringing of vulgarity to the screen is something of a triumph. Benny Hill, having been banished thanks to the undue influence of a few feminists and right-on alternative comedians in the silliest example yet of "political correctness" in British broadcasting, has been quietly reinstated on Tuesday evenings at peak time. Having banned Hill's shows from British screens, the people at ITV must have felt rather silly when commentators such as Anthony Burgess, John Mortimer and Michael Bentine began praising him as a classic clown, and newspapers revealed to the British public that the shows, sold of course by ITV, were being screened with extraordinary success in 100 countries overseas, including the US.

As it happens, I find Hill's screen persona embarrassingly ingratiating and would not normally choose to watch him, but there is surely no more sense in campaigning against the vulgarity of his shows than in campaigning against the vulgarity of hamburgers. "Vulgar" comes from "vulgus", Latin for "the great multitude of the people", and all it really implies is that something is popular. If the world is full of people who actually prefer hamburgers to whitebait or oxtail, never mind paté de foie gras, it scarcely seems worth wasting breath in trying to convert them; we must just kick aside the hamburger cartons as we walk to the wet fish shop and the family butcher. However, the time when we are surely entitled to start shouting is when the hamburger joints start putting the fish shops and butchers out of business.

In television terms that means the time when, despite the growing number of channels and the increasing number of hours, it begins to look as though the number of high quality programmes is going down (although it should be going up if the proportions were being maintained) and vulgarity is creeping in even to places where it was once notably absent.

Previously the BBC's *Young Musician Of The Year* contest was one of the most heartening events in the calendar, offering a showcase for talent and providing several programmes of unadulterated music. Humphrey Burton – enthusiastic, knowledgeable, and highly professional – was the presenter, and his brief interviews gave us a bit of background on the competitors.

Burton did present the final this year, but the heats had been changed. They were presented by a young woman with a strong regional accent and a young black man with an exotic hairstyle, all of which would be unremarkable provided they had proved with their knowledge and professionalism that they had been selected as the best at the job and not for being politically correct. Unfortunately there was little sign of this. Worse, no sooner had one of the competitors started performing than the picture faded away, the music became "background", and we found ourselves watching a contestant riding her horse or wandering along a canal gossiping about his hobbies. A unique series of occasions for music lovers had been turned into another set of chat shows.

Why? Television is overloaded with shows which combine casual chat and musical interludes. In addition to six lots of Jonathan Ross and two lots of Wogan every week, we get Cilla Black's *Surprise Surprise*, Paul Schofield with *Television's Greatest Hits* (which turns out to be a chat'n'clip show) and of course *Aspel And Company* which, this week, contained one of the stickiest confrontations in living memory. Aspel's questions were mostly longer than Cher's answers, of which one of the more informative was "I don't know". But never mind, she did plug her song. Friday saw the start of yet another music and chat series: *Bruce's Guest Night* on BBC1, in which Bruce Forsyth clowns and sings with pop stars and sportsmen.

If that is what people want, let them have it, but why did Channel 4's programme on Sunday called *Sue Farrow Plays Mozart* have to go down the same road? No doubt you have to trick out a lot of modern pop music with laser shows and funny clothing since viewers would not stay tuned for the music on its own, but Mozart's Symphony No 40 is a very different kettle of fish.

With the orchestra in white tie, it is ludicrous to bring on a conductor with a crew cut, black leather trousers, black leather waistcoat and open necked shirt. . . particularly when the conductor happens to be a woman. To surround her in a cone of laser beams, bathe the musicians in pink or orange light, and then insert more than 50 edits in the space of 60 seconds is plain daft: nobody could watch that sort of frenzy and properly appreciate the music.

Up to now, the familiar British middle-class attitude of superciliousness towards television as a whole has been as nonsensical as a similar attitude towards the whole of print or food. Most of the material in all these spheres has always been aimed at mass taste. But, as the appalling Thatcher Broadcasting Act begins to have its effect, we had better watch more carefully than ever to see what is happening to that proportion of television which used to have higher ambitions because, if we are not careful, we may indeed end up with nothing but the vulgar.

Alastair Muir

Berwick Kaler gives a fine performance as the Pope

Stars of the Bolshoy

Natalya Bessmertnova first danced in London with the Bolshoy Ballet in 1963. We saw then an exceptional talent – imperishable memories remain of her Autumn fairy in *Cinderella*, a flame in red chiffon – and in later years we have admired her in the classics and in roles made by her husband, Yury Grigorovich. She is returned now, as a couple of years ago, with a group of Bolshoy principals, a small corps de ballet, and a repertory designed for concert performance.

The dancers are, in the main, senior artists, and there is the faintest whiff of grape-shot in the programme book's article about Grigorovich, in which he talks about the necessary moment of retirement for dancers. "Of course it is possible for them to continue – possible to do, but impossible to watch".

I, for one, would have felt cheated if it were not possible still to watch Bessmertnova. Her art offers a potent essence of movement. Physically she retains the same exquisite style, the same intense sensibility, that she has always brought to traditional roles. In the Wili act of *Giselle*, which formed the first half of Monday night's programme, Bessmertnova seemed an incarnation of a great Russian tradition, the ballerina as romantic icon. The imagery – *Giselle* posed, arms folded across her breast; the compassionate spirit bent towards Albrecht – recalled photographs of Pavlova and Spessivtseva in this same scene. Her dancing, slightly – and, I found, ravishingly – scaled down, was translucent, vaporous as the night air. The fruit of immense knowledge and a glorious theatre tradition, this was a compelling reading, as luminous, poetic as the Giselle we find in Gautier's original libretto.

From Leonid Nikonov's Albrecht, partnering of absolute security and a sincere characterisation. From the attendant Wilis, excellently schooled performances. A decent back-drop, good lighting – though Heaven's curse on those follow-spots – provided a sure frame for Bessmertnova's interpretation.

The rest of the evening comprised divertissements replete with *fouéttes* and yearning against white curtains; well-known participants – Natalya Arkhipova, Mikhail Gabovich, Yury Vladimirov, Maria Bylova, Boris Yefimov – and some new names. The ensuing catalogue of grins and spins and soulful emoting looked all the more trumpery after the sublimities of *Giselle*, and efficient though performances were, there is a limit to our taste for such high-wire acts to a sound-track of Minkus and worse. (And a little worse than needs be because of thin – though amplified – orchestral playing.)

Bylova and Leonid Nikonov turned acrobatics into ecstasy in *Spring Waters*, and Bessmertnova and Yefimov were no less ecstatic, though more restrained, in a duet from *The Golden Age*. All the *fouéttes* were relentlessly applauded. The Dominion must be the dreariest theatre in London, with a stygian auditorium. The programme book has decided there are characters in *Giselle* called "Two Willisses". You remember them, of course: they had that cottage near the lake, and grew the most *marvellous* roses.

Clement Crisp

At the Dominion Theatre till April 18, then touring Britain until July 18.

Musical life in Prague

What used to be forbidden is now *de rigueur*. What was available before has lost much of its value. It has been a classic case of over-reaction. Never mind the quality, Prague is gorging itself on musical freedom after 40 years of rigid Communist control. Money and experience may be lacking in the new era of market-led culture, but there is no shortage of activity and enthusiasm.

Before the revolution, there were two concert agencies. Now there are 65. Three years ago, Prague had an average monthly total of 90 concerts. Now there are 240. Five societies for contemporary music have sprung up.

Just like the stall-owners hawking their wares on Wenceslas Square, the music market has become overcrowded, and sooner or later the market will decide who survives. But for the time being, now that the initial shock of freedom has passed, everyone is joining in the free-for-all, an indiscriminate scramble for audiences, publicity, money, kudos, status. The old imposed rules are gone, along with huge state subsidies. Self-help is the order of the day.

Particularly striking is the way western Europe has become the unchallenged role-model. The Prague Spring Festival, formerly a showcase for East European state culture, is this year dominated by high-earning western artists.

The Smetana Theatre, newly divorced from the monolithic National Theatre, has virtually wiped Czech works from the repertory and renamed itself the Prague State Opera. It has held its first opera ball, now advertises performances with a yellow airship-balloon, and has ventured into the high-risk business of gala performances. The assumption is that it can sell out *Tosca* with Mara Zampieri and Neil Shicoff at some 15 times normal seat prices.

It is all a far cry from the days when the red star hung above the proscenium.

In an atmosphere of public acrimony, the Czech Philharmonic Orchestra has removed Jiri Belohlavek as chief conductor and elected a German, Gerd Albrecht, in his place – the first non-Czech to hold the post. It could turn out to be an expensive mistake, for the orchestra's home-grown Czech tradition was always its unique selling-point for foreign tour promoters and record companies.

Even in Prague, the orchestra has discovered the downside to its new autonomy: the renovation of its historic home, the Rudolfinum (due to be re-opened on May 14), has cost three times more than estimated, and the orchestra may be left to pick up the bill.

What no-one expected was that Prague should prove so immediately attractive for foreign musicians. Little-known western conductors and stage directors are accepting low pay in return for valuable experience. Several Georgian and Ukrainian artists fleeing from poverty and instability in the former Soviet empire have also picked up contracts, often with higher salaries but no greater talent than their Czech colleagues.

There are plenty of other anomalies. Supraphon, the state recording company, has produced 20 CD issues in the past three years – but they have made little or no impact in Prague shops, because Supraphon's local distribution network has disappeared. The Prague Symphony Orchestra, overshadowed by the Czech Philharmonic for most of its 60-year history, has begun to cut a more confident profile at home and abroad – but salaries are still only two-thirds of the senior orchestra. "People here don't earn a lot, but they have faith in the future," says the orchestra manager, Roman Belor. "We believe Prague is the hidden treasure of Europe."

So, despite inflationary pressures and uncertainty over privatisation, the underlying atmosphere is positive. Czech emigrés such as the conductor Martin Turnovsky have found a new lease of life, using hard-won experience from 20 years' exile for the benefit of Prague's music institutions. The main orchestras have given overdue recognition to composers such as Jan Klusak and Petr Eben, whose careers had fallen foul of Communism.

The two leading opera companies have proved adept at tapping the pockets of foreign visitors, thanks to improved marketing and a conversion to original-language performance. The quality of singing and staging still leaves much to be desired – but after a period of administrative chaos, operatic life is booming.

The latest crop of productions offers a mirror of Prague's current artistic health. The particular attraction of the Zemlinsky double-bill at the State Opera is its link with the past: it was performed in the same building (Prague's former German theatre) where Zemlinsky spent 16 fruitful years as music director before and after the First World War.

His one-act operas *Eine florentinische Tragödie* and *Der Geburtstag der Infantin* are typical of the exotic repertory preferred by the State Opera's dynamic young director, Karel Drgac, whose staging was both honest and unpretentious.

In the first work, a tale of medieval blood-lust, the claustrophobia of the Mediterranean night air was particularly well realised. The conductor Hilary Griffiths ensured that the rich Straussian orchestra was heard to stupendous effect – so much so that it drowned the three singers.

The other work – Zemlinsky's portrait of a heartless princess and a heart-broken dwarf – packs a much stronger punch, and offers plum parts to its principal soprano and tenor, impressively sung by Zora Jehlickova and Peter Svensson.

Otello was an equally ambitious undertaking but much less successful. The staging by the Swiss director Dominik Neuner was arty and artificial, and the cast (including the black American tenor Moises Parker and a Ukrainian soprano, Tereza Slupska) were left in a dramatic vacuum. Only the Iago – the Czech baritone Ivan Kusnjer – was a proper match for his part. The performance was saved by the conducting of Martin Turnovsky, who inspired the orchestra to rare heights of flexibility, precision and dynamic shading.

Orchestra and conductor were also the saving grace of the National Theatre's new production of *La bohème*. Oliver von Dohnanyi, who has recently made some well-noticed visits to Britain, supervised a brisk, shapely account, full of verve, catching all the climaxes on the cusp. The cast worked like an ensemble, their well-characterised spontaneity partly compensating for a crass production by the German stage director Franz Winter. Helena Kaupova's matronly Mimi had the best voice of the evening. The most exciting stage personality was Natalja Melnik, who turned Musetta into a sexy man-eater in black suspenders.

Andrew Clark

The Pope and the Witch

Malcolm Rutherford

I have always found the Italian sense of humour somewhat elusive: the country has many virtues, but jokes are not among them. Some of the English, on the other hand, seem to think the Italians are funny just because they are Italians. And that, I suspect, is what has gone wrong with this production.

Dario Fo's *The Pope and the Witch*, as presented at the Comedy, is not only unfunny; it is not even remotely satirical. If it reminds one of anything, it is a dismal performance at the Young Vic last summer of a play by the American, Tom Kempinski, called *Sex Please, We're Italian!* Although it starred Helen Mirren and despite all the resources that were put into it, Kempinski's piece failed to work because having English actors mimic Italians is not funny, indeed is frequently embarrassing.

I shall list the virtues first. *The Pope and the Witch* is very well directed by Jude Kelly. When several characters are required to speak together, they do so in unison. It is very well designed by Rob Jones. The production moves easily from the papal apartments in the Vatican to a drug rehabilitation centre in Rome.

All the elements of the *commedia dell'arte* are there. When a character needs to perform a somersault – and even when he does not – he does so with effortless superiority. When the Pope ascends, if not into heaven, at least into the flies, the chandelier drops smoothly to collect him.

Even the acting is not to be faulted. Berwick Kaler is a very versatile Pope. When he is down, he looks a bit like Neil Kinnock, though I assume that is accidental.

Frances de la Tour is not really a witch, nor is she meant to be, just a woman who has knocked about a bit in the third world, doesn't like abortion much more than the Pope, but sometimes regards it as a necessary alternative. (That is the serious part.) In the circumstances, she gives an accomplished performance, as do several others. I liked, in particular, Clive Merrison as Cardinal Pialli, the Pope's private secretary.

The trouble is the play and, even more so, the lines. The Banco Ambrosiano and the Calvi scandal (the man who was found hanging under Blackfriars Bridge) are in the background. So are third world dictators, the CIA, drug-running, the Red Brigades, Italian politics and corruption in general. The plot, such as it is, is that the Pope declares that drugs and contraceptives should be legalised and made available free of charge.

As an example of the lines, we have "Pope sanctions dope" and "Pope no longer firm on condoms". In a bow to the Italian fashion industry, the Pope introduces "the poverty look".

Andy de la Tour, who is responsible for the script, writes in a programme note that he worked from a literal English translation and cut out many of the Italian references on the ground that they would be too obscure for an English audience. Poor Dario Fo: the English never did understand Italian style.

Comedy Theatre, London SW1. (071) 867 1045

INTERNATIONAL

ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 19.30 Ton Koopman conducts the Amsterdam Baroque Orchestra in Bach's St Matthew Passion. Tomorrow: the same work is interpreted by the Amsterdam Tonkunst Chorus (6718 345)
Beurs van Berlage 20.15 Philippe Entremont is director and piano soloist with the Netherlands Chamber Orchestra in music by Hindemith, Haydn and Brahms, repeated tomorrow (6270 466)
Muziektheater 20.15 Compagnie Philippe Genty. Tomorrow: Schnittke's new opera (6255 455)

■ BRUSSELS

Palais des Beaux Arts 20.00 Philippe Herreweghe conducts La Chapelle Royale and the Collegium Vocale of Gand in Bach's St Matthew Passion (507 8200)

■ FRANKFURT

Tonight's concert at the Alte Oper is Haydn's oratorio Seven Last Words. Fri: Bach's St Matthew Passion. Sat: first of four performances of Andrew Lloyd Webber's musical Jesus Christ Superstar (1340 400). The Opernhaus has La clemenza di Tito tomorrow and Sun, Lohengrin on Fri and Carmen on Sat (236061). The Schauspielhaus has a revival of William Forsythe's ballet Limb's Theorem tomorrow and Sat, and Shakespeare's The Merchant of Venice on Sun (2123 7444)

■ GENEVA

Victoria Hall 20.30 Andrew Litton conducts the Orchestre de la Suisse Romande (292511). Tomorrow, Sat and Mon in Grand Théâtre: Wolf-Ferrari's opera I Quattro Rusteghi (212311)

■ LEIPZIG

Tonight at the Opernhaus is Fiddler on the Roof. Tomorrow: Busoni's Doktor Faust. Fri: Tosca. Sat: Tristan und Isolde, Sun: Les Contes d'Hoffmann (7168 273). The Gewandhaus has performances of Bach's St Matthew Passion tomorrow and Fri (7132 252)

■ LONDON

THEATRE

● A Woman Killed With Kindness: Katie Mitchell's RSC production of Thomas Heywood's 17th century domestic tragedy, with Saskia Reeves and Michael Maloney (The Pit 071-638 8891).
● Reflected Glory: Albert Finney stars in Ronald Harwood's play about two brothers attempting reconciliation after an argument which drove them apart ten years earlier. Directed by Elijah Moshinsky (Vaudeville 071-836 9987).
● Uncle Vanya: Ian McKellen and Antony Sher in Sean Mathias' acclaimed National Theatre studio production of Chekhov's play (tomorrow till next Wed). The NT repertory also includes Tennessee Williams' The Night of the Iguana, George Farquhar's 18th century comedy The Recruiting Officer and Pygmalion with Alan Howard as Professor Higgins. No performances on Easter Friday and Sunday (071-928 2252).
● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962.

MUSIC

Royal Festival Hall 19.30 Zubin Mehta conducts the LPO in Tchaikovsky's Violin Concerto (Maxim Vengerov), Stravinsky's Symphony in Three Movements and Ravel's Daphnis et Chloé suite no 1, repeated tomorrow (071-928 8800)
Queen Elizabeth Hall 19.45 Achterland, choreography by Anne Teresa de Keersmaeker (071-928 8800)
Barbican 19.45 Christoph Eschenbach is conductor and piano soloist with the English Chamber Orchestra in works by Mozart and Haydn. Tomorrow: Bach's St John Passion (071-638 8891). Fri in St John's Smith Square: Bach's St John Passion (071-222 1061)

■ LUCERNE

The Easter Festival opens tomorrow with the first of four events in which sacred music will be performed in churches around the city. On Sunday evening, the London Symphony Orchestra gives the first of three concerts in the Kunsthaus, with the conductors Michael Tilson Thomas and Mariss Jansons, and soloists including Agnes Baltsa and James Galway (041-235272)

■ MUNICH

Staatsoper 19.30 Tosca with Anna Tomowa-Sintow and Peter Dvorsky, also Sat. Tomorrow and Sun: Marek Janowski conducts Parsifal. Mon: Cranko's Romeo and Juliet (221316). Fri at Gasteig: Sergiu Celibidache conducts the Munich Philharmonic Orchestra (48098 614)

■ NEW YORK

THEATRE

● Hamlet: Stephen Lang plays Hamlet, Elizabeth McGovern is Ophelia, Paul Weidner directs. Runs till May 3 (Criterion Center Stage Right, 1530 Broadway at West 45th St, 869 8400).
● Conversations with My Father: Herb Gardner's play, set in lower Manhattan, spans four decades and tells of a youth's struggle to communicate with his strong-willed immigrant father (Royale Theater, 242 West 45th St, 239 6200).
● Dancing at Lughnasa: Brian Friel's 1991 award-winning play, set in Donegal in 1936, now has an American cast (Plymouth Theater, 236 West 45th St, 239 6200).
● The Master Builder: Ibsen's drama has a cast including Lynn Redgrave, directed by Tony Randall. Runs till April 26 (Belasco, 111 West 44th St, 239 6200).

MUSIC

Carnegie Hall 20.00 Simon Rattle conducts the City of Birmingham Symphony Orchestra in Schoenberg's Pierrot Lunaire (Elise Ross), Prokofiev's First Piano Concerto (Emanuel Ax) and Debussy's Images. Tomorrow: Rattle conducts The Rite of Spring (247 7800)
Alice Tully Hall 20.00 Juilliard String Quartet with Nobuko Imai violist. Tomorrow and Fri in Avery Fisher Hall: Tennstedt conducts the New York Philharmonic. Sun afternoon: Roger Norrington conducts Bach's St Matthew Passion (875 5030)
Metropolitan Opera 20.00 Charles Mackerras conducts Billy Budd, with James Morris and Thomas Hampson. Tomorrow: La fanciulla del West (362 6000)

■ PARIS

Opéra Bastille 19.30 First night of Roman Polanski's new production of Les Contes d'Hoffmann, conducted by Ion Marin. Runs till May 11, with next performance on Sat. Tomorrow: Un ballo in maschera (4001 1616)
Salle Pleyel 20.30 Kurt Sanderling conducts the Orchestre de Paris in Mozart's Piano Concerto No 22 (Radu Lupu) and Bruckner's Fourth Symphony, repeated tomorrow (4563 0796)
Palais Garnier 19.30 Pierre Lacotte's Opéra Ballet production of La Sylphide, also tomorrow, Fri and Sat (4017 3535)
Auditorium, Forum des Halles 19.00 Tatiana Nikolaeva plays Bach. Tomorrow: song recital by Andreas Schmidt (4028 2840)
Théâtre de la Ville 18.00 Piano recital by Sergei Edelman, with a programme of Chopin and Prokofiev (4274 2277)

■ ROME

Teatro dell'Opera 20.30 Roland Petit triple bill: Les Forains (1945), Les Rendez-Vous (1945) and Ballet d'Opéra (1992). Three more performances next week (488 3641)

■ STRASBOURG

Palais de la Musique 20.30 Theodor Guschlbauer conducts the Strasbourg Philharmonic Orchestra in Honegger's Third Symphony and Rossini's Stabat Mater. Repeated tomorrow (8837 6777)
Théâtre National 19.30 Compagnie Ris et Danceries in choreographies by Francine Lancelot and Beatrice Massin, with music by Bach and Handel. Repeated tomorrow (8835 4452)

European Cable and Satellite Business TV
(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Wednesday April 15 1992

No soft option for the EBRD

MODESTY has not been the hallmark of Mr Jacques Attali's reign as president of the European Bank for Reconstruction and Development. For all Mr Attali's high ambitions for the bank, its first year has been at best modestly successful. Yet undaunted by the difficulties it faces in nurturing eastern Europe's private sector, Mr Attali now wants the EBRD to take on the daunting task of restructuring the ex-Soviet union's military-industrial complex.

The EBRD has not yet proved it is anything more than an expensive political gesture; but nor have its activities confirmed claims that it would be either a diversion from or an obstacle to reform. Much of the last year has been spent hiring staff and equipping offices. But the EBRD also had some achievements to report to its first annual conference. It has approved about 20 projects, the first within three months of its launch, and committed some Ecu 620m in lending, while sticking to its practice of accepting or rejecting project proposals within 90 days.

Yet there has been rather more rejecting than accepting. Disappointingly, the EBRD has so far been able to commit only a small fraction of the limited capital at its disposal, and to dispense even less. It remains constrained by the problem which threatened to plague it from the outset: it was established to fill a niche which does not yet properly exist and for which other private sector institutions may be better suited.

Investment catalyst

The EBRD was set up to be a catalyst for private sector investment. Its statutes require the majority of its lending to go to the private sector on commercial terms, at market interest rates and only if private sector finance cannot do the job alone. So far there have been few suitable projects, on a large enough scale to interest the EBRD, which meet these criteria. Those that have arisen have been snapped up by private investors. The EBRD, where it has been involved, has tended to be a minority partner with large western multi-nationals, which is not quite what Mr Attali had in mind.

It is not that private sector investment opportunities do not exist, given the relatively high levels of education and low real wages in these countries. But they tend to be small-scale, grass roots projects which private banks find too risky. The EBRD was always going to be too remote to fill that gap.

Little wonder then that the EBRD's president is trying to wriggle free of the statutes and widen his bank's brief. Already the prohibition on lending to the ex-Soviet republics has gone. Now Mr Attali wants to set up a special restructuring facility which would make "soft loans" – that is at below market interest rates – to finance the conversion of the defence industries to non-military production.

Short shrift

Predictably, the proposal has received short shrift from the bank's western shareholders, particularly the US. Whether restructuring, rather then destroying the defence industries will speed and not impede the transition is in itself debatable. If worthwhile, the World Bank is the only institution with either the capacity or the expertise to assist the process. Such a huge task is well beyond the scope of the Mr Attali's organisation.

Indeed, the west, including the EBRD, risks becoming obsessed with trying to stabilise the ex-Soviet republics, which is a huge and long-term undertaking, at the expense of helping the rest of eastern Europe. Mr Attali's considerable skills as a lobbyist, as opposed to a banker, would be better deployed in favour of improving access to western markets for Poland, Hungary and Czechoslovakia, something on which the European Community continues to drag its heels.

Before the EBRD can run, it must first learn to walk. It is the only international institution with a specifically eastern European and private sector mission. However limited in scope and difficult, the bank should stick to it. Only when it has developed experience and credibility, and eastern Europe has progressed further towards a market economy, will the bank be able soundly to commit its capital. Until that task is achieved, it should forget about bigger dreams.

A patchwork of a cabinet

WITH THE junior ministerial appointments announced yesterday, Mr John Major's government is complete. It has a few newcomers, notably Mr Jonathan Aitken at defence and Mr Michael Mates at the Northern Ireland Office. Although most of the faces are familiar the direction of Britain's affairs is plainly under new management. This is the first administration since 1979 not to be constructed on foundations laid by Mrs Margaret Thatcher. Her influence, which persisted after she left office, is finally set aside. The full focus of public attention is now on the commanding presence of Mr Major. Since last Thursday's convincing election victory, he is very much in charge and the uncertainty that has characterised the government may be replaced by a greater sureness of touch.

If the experience of the past 16 months is any guide the new cabinet's business will be undertaken on collegiate lines. The prime minister has taken particular care to carry his colleagues with him. Prior to the election, he had little option if he was to maintain party unity. Yet there is no reason to believe that his strategy of maintaining policy decisions within a Tory consensus will be discontinued now that he is in a position to reign supreme. He is supported by Mr Douglas Hurd, a superb foreign secretary, and Mr Norman Lamont, a chancellor who has come through the fire.

Study in contrasts

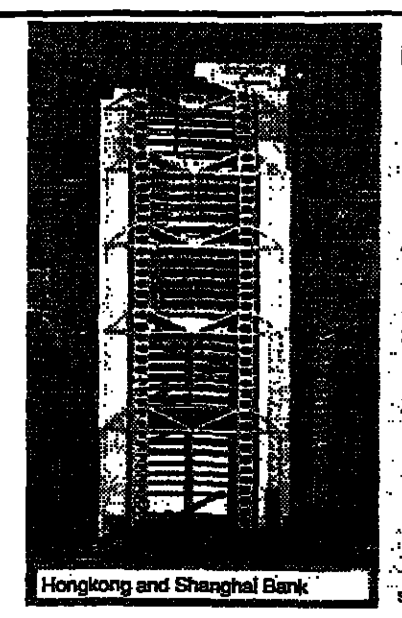
That said, the pattern presented by his particular choices is a study in contrasts. As chancellor, Mr Lamont will reassure the wing of the party that is sceptical about the benefits of European monetary union; as secretary for trade and industry, Mr Michael Heseltine will lead the charge of the pro-Europeans. As chief secretary to the Treasury, Mr Michael Portillo will have a reputation to enhance: his task will be to oversee an even more difficult public spending round than usual. The new secretaries for education and health, Mr John Patten and Mrs Virginia Bottomley, will expect generous settlements. Mr Patten will have a powerful case to argue for more money for education. Mrs Bottomley holds the prime minister's promise to increase spending on the NHS in real terms.

Some of the appointments will remain intriguing, or puzzling, until the new ministers have served awhile. Mr Kenneth Clarke should be a strong home secretary, able to tame the prison officers as he has the doctors and the teachers before them, but we have to see him do it. Making Mr Peter Lilley social security secretary could be merely to hide him away; alternatively Mr Lilley could apply his sharp mind to further reforms, especially in the area of pensions. He will need to temper his unsentimental economist's approach with visible social concern.

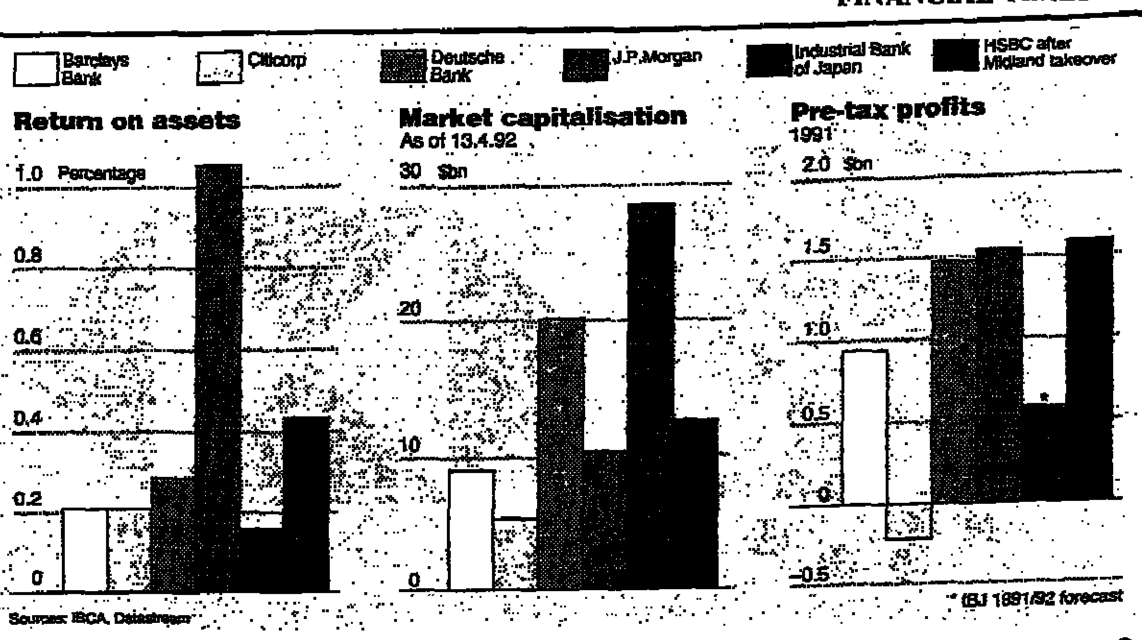
Green credentials

Mr Michael Howard, the new environment secretary, is unquestionably on the right of the party. It would be a disservice to democracy if he continued the Thatcherite assault on local government. His green credentials have yet to be established, as indeed have those of the government as a whole. Mr Malcolm Rifkind is a clever minister whose plans for the privatisation of British Rail went awry. The Department of Defence will test his abilities; he will be required to display hitherto unrevealed strengths if he is to resist the determined assaults of the defence lobbyists.

It cannot be said that the other appointments are all of a piece. Putting Mr David Mellor in as secretary for the national heritage, which includes the arts and broadcasting, is imaginative. To make Mr William Waldegrave minister for the citizen's charter is curious. His record as health secretary does not proclaim an ability to infuse the public with enthusiasm for a novel idea. Mr John MacGregor will have to draw on more than the quiet doggedness he showed as education secretary if he is to disentangle British Rail from public ownership. Mr Ian Lang will do best as Scottish secretary if he can bridge the gap between the aspirations of the Scottish people and the fears of the prime minister. It would be a mistake to adduce the marginal increase in support in Scotland as a reason for refusing to rethink devolution. Building a consensus government out of such a diverse cabinet will test Mr Major's mettle.



Hongkong and Shanghai Bank



Sources: IBCA, Datastream

Midland Bank

Peter Martin and Simon Holberton on the outlook for a £3.1bn merger

Banking on a little luck

A century ago, the Hongkong and Shanghai Bank had a secret weapon: "joss", the pidgin English word for the protection of the local gods, the good luck they bring. "Truly joss take care this bank," said a Shanghai businessman; and one of its legendary early managers was known as "Lucky" Jackson.

In announcing yesterday's £3.1bn bid for the UK's Midland Bank, its boldest gamble yet, the Hongkong Bank has taken great care to minimise the need for luck. It is making an all-paper offer, rather than the part-cash bid that Midland's management asked for. It has pitched its offer at the cautious end of the range. It has gone to great lengths to square as many of the regulatory authorities as possible. Yet joss will still play a central role in determining the takeover's fate.

Luck will be needed, first of all, in steering the bid to completion. Stockbrokers' analysts were hoping for a higher price than the 378p a share at which the bid values Midland. Shareholders were saying yesterday that they had expected at least 400p, and that the bid would have to be raised.

Whether that is a realistic assessment depends on decisions at Lloyds Bank, the most successful big UK bank of the past decade, which had made an informal takeover approach to Midland before Hongkong Bank stepped in.

"Our view of a bid from another clearer," said Mr Brian Pearse, Midland's chief executive, yesterday, "was that it was extremely unlikely that it would have received the approval of the Monopolies and Mergers Commission." Even if it had, he said, the complementary factors were few, apart from the possible cost savings from big redundancies. A combined Lloyds/Midland "would have had even more of an emphasis on the UK" than at present.

Lloyds clearly has no fears of a UK concentration: it has based its recent success on making money close to home. It is now mulling over what to do next.

There are no other likely bidders, so if luck favours the Hongkong team and Lloyds stays out of the bidding, the offer will be considered on its merits. Midland's shareholders, who received only 4.53p per share in dividends last year, will get 13.57p in dividends from their new shares in HSBC Holdings, the Hongkong Bank's new London-based parent company, and another 11p interest on the loan stock which makes up part of the offer. Investors will have to balance that short-term gain against the possibility of a sharp rise in post-tax earnings from an independent Midland Bank once the recession ends.

One big shareholder, the Kuwait Investment Office, has been trying to sell most of its 10 per cent holding of Midland shares, from the moment the terms were announced – an indication that it preferred cash today to the Hongkong offer or to the possibility of a higher price from Lloyds.

If fortune favours its bid, the Hongkong Bank will still have to tackle the task of running the merged operation. London will be the headquarters of the holding company and the base for the senior executives who hold the main functional responsibilities. Mr William Purves, HSBC's chairman and chief executive, says that, in due course, "there will be a group chairman and a group chief executive, both with an overview of Hongkong Bank and Midland. Both will be executives, with the chairman doing a lot of the representational work, but the buck will stop with the chief executive, who will reside in London."

The group's individual banks – in Hong Kong, the Midland in the UK, Marine Midland in the US – will retain their identities. But they will focus more on retail business, leaving treasury management and technology to the centre.

It is not clear how much influence the individual banks will have in relationships with the group's 300 largest corporate customers. A central team, described in the offer document as "an enhanced International Corporate Accounts capability", will keep a close eye on big customers. Midland's big-time corporate bankers may find themselves reined-in.

The Hongkong team is confident it can run the merged group. "We've been in international banking for 130 years," says Mr John Gray, deputy chairman of HSBC Holdings. But he goes on: "I would like to think we've learned our lessons" from previous overseas problems in the US and in Australia.

Mr Purves, who will move to London to chair the combined group, makes a similar point: "I think I can be criticised for not making management changes in Australia, UK and the US soon enough," he said recently. The new group management clearly intends to keep a close hold on its subsidiaries – but with important businesses on three continents, its inbred management culture will be stretched to the limit.

If the Hongkong bid succeeds, and the management challenge is successfully met, there is still a third need for luck. The merged bank will be very big, and very strongly capitalised. It will rank, say the Hongkong people, in the world's top 10 by size, and will be the second biggest outside Japan. More importantly, perhaps, now that HSBC has revealed its £1bn of hidden reserves, the merged bank will handsomely meet the Basle ratios for capital adequacy, due to take effect at the end of this year. It will have "tier 1" capital (shareholders' funds) of 5.9 per cent of assets, nearly half as high again as the Basle minimum of 4 per cent; and it will have total capital equal to 10.9 per cent of assets, compared with Basle's 8 per cent minimum.

The takeover itself will cost money: HSBC will be making a provision of £190m for the takeover and £200m to take account of the change in HSBC's tax status in the UK. Mr Purves promised yesterday that the synergies from the deal would outweigh these one-off costs. Potential areas for synergy include trade finance, where Hongkong Bank believes it has much to teach Midland; technology, where Mr Purves believes Hongkong Bank is a world leader; treasury, where there are potential savings from merging the two banks' operations; and investment banking, to be run as a global business with shared back offices behind the separate identities of Samuel Montagu, James Capel, Trinkaus & Burkhardt, Euromobiliare and Wardley.

So far, so good. But another way of looking at the combined bank is to assess the quality of its core businesses. On that basis, fortune is badly needed. There is one enormously strong business, and a clutch of weaker ones. The strong business is banking in Hong Kong, which generated pre-tax profits for HSBC of £761m last year, 86 per cent of the total. Yet uncertainties will hang over the Hong Kong business until the colony has survived its transition to Chinese rule.

By comparison with Hong Kong, the other businesses are much less impressive – even the £117m earned in the rest of the Asia-Pacific region, or the £73m in the Middle East and India. There were losses in the Americas and in continental Europe. Midland Bank made only a £36m profit before tax.

In the US, Marine Midland was back in profit in the first quarter and, in the UK, Mr Pearse is optimistic about Midland's underlying trading. These remain, however, weak banks in fiercely competitive markets. In time, with hard work and careful decision-making, they can probably be rebuilt. But a little joss would help.

Beijing remains relaxed

Formal approval by the authorities in Beijing is not needed for Hongkong Bank to take over Midland. But with China set to assume sovereignty in 1997 of a territory in which Hongkong Bank occupies such an important role, outright opposition would be unfortunate, writes Alexander Nicoll.

Mr William Purves, Hongkong Bank chairman, has sought to prevent this by keeping Beijing informed of the bank's moves at every stage.

So far, the indications are that Beijing is adopting a relaxed approach, in spite of criticism and suspicion expressed in Hong Kong newspapers that usually reflect the official communist line. None of the many unofficial voices of the Chinese government commented yesterday on the terms of the deal. However, an official government statement said that the merger of the two banks was an internal affair for them.

The statement, issued by the Chinese Embassy in London in response to a question, said: "Due to the status of the Hongkong Bank in the economic activities of Hong Kong, we hope that whatever actions the bank takes, apart from consideration of its own needs, it should take a responsible attitude towards Hong Kong; and we hope that it will continue to make its contribution to the prosperity and stability of the Hong Kong economy." This seemed the clearest sign yet that China has no intention of mounting opposition that could put the deal in doubt or place obstacles in the path of the merged company.

The concerns expressed by some Chinese officials and newspapers are understandable. Hongkong Bank is not just a commercial bank. It performs some of the functions, including issuing banknotes, of a central bank, its chairman sits on the governor's main decision-making body, and its board includes leading Hong Kong political figures, as well as local businessmen who have strong relationships with the Chinese authorities.

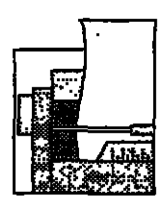
Chief among Chinese worries is that Hongkong Bank will use the Midland takeover to syphon assets out of Hong Kong. Businessmen, however, believe that the bank's prominent role in backing the boom in Hong Kong business in southern China suggests that its commitment to the area is firm – and the bank yesterday repeated this pledge.

Perhaps the more telling criticism from the communist Chinese has been on markedly capitalist grounds. An official of the state-run Bank of China, which competes intensely for local business with the Hongkong Bank, attacked it on the grounds that Midland was a poor performer and that the interests of Hongkong Bank shareholders, including many local people, were at risk.

PERSONAL VIEW

Culture is not to blame

By Lawrence H Summers and William R Easterly



The world's poor nations have made enormous progress over the past 25 years. They have grown more rapidly than the US did during its spurt to economic maturity, and have cut infant mortality rates in half. Much of the reason for growth is that governments have increasingly allowed market incentives to work. Regulations have been removed, businesses privatised, and trade barriers reduced on every continent.

Will this progress continue? Can the formerly communist nations share in it? Many are sceptical and cite cultural barriers as an obstacle to growth. They say that people in the former Soviet Union lack the capitalist spirit. One recent newspaper article on Latin America was headlined: "Some find the roots of the region's malaise in colonial-based cultural values." Even the lagging growth of the US relative to Japan is often ascribed to culture.

The idea that an inappropriate culture is primarily to blame for low growth is a dangerous myth. The record shows that culture cannot be an important hindrance to prosperity, for a simple reason: culture changes slowly, but economic performance changes rapidly. Today's basket cases are tomorrow's successes, and vice versa.

Even the most pessimistic reappraisals of Soviet growth, for example, show income per person rising at historically impressive rates of more than 3 per cent a year in the 1940s, 1950s and 1960s. Although communism has since collapsed under its own weight, the achievement of such growth with a bad system speaks well of the productive potential of the Soviet people. Enterprise managers who could cope with the administrative chaos of a planned economy are likely to cope with a market economy.

In Latin America, the disasters of the 1980s make it easy to forget how well the region was doing previously. Today's basket case of Haiti had faster export growth than Japan in 1968-80. Over the same period, three Latin American countries – Brazil, Ecuador and the Dominican Republic – grew faster than any industrialised country, and 15 (including much maligned Argentina) grew faster than the US. The collapse of Latin American growth in the 1980s had nothing to do with cultural attitudes and everything to do with government deficits and mismanaged foreign borrowing. Countries like Chile and Mexico that have solved those problems have bright futures, if huge inflows of capital and stock market booms are any indication.

The case for cultural obstacles to growth would seem to be stronger in Africa, where many countries' per capita incomes have declined since independence. But Africa also has the country with the world's highest per capita growth rate over the past 25 years: Botswana. A reform wave is now sweeping across the continent.

The idea of cultural barriers to prosperity has often been wrong in the past. Max Weber, who formed the "Protestant ethic" explanation for western prosperity, derided Confucianism as anti-capitalist. The achievement by Japan and Korea of two of the highest long-run growth rates on record now leads some to argue that a "Confucian ethic" has replaced the "Protestant ethic" as the cultural secret to success.

In 1952 an economist named Hubertus Van Mook wrote of south-east Asia: "The age-long influence of the west ... failed, with only few exceptions, to instil its economic activity and enterprise into the minds and habits of these peoples ... The social solidarity, the public spirit, and the economic energy necessary for a vigorous resurgence were lacking." Since then, south-east Asian nations like Thailand, Malaysia, Singapore and Indonesia have tripled their per capita incomes.

Similarly, Nobel Laureate James Meade wrote of the economy of the African island of Mauritius in 1967 that the "outlook for peaceful developments is poor ... The history of the island has led to an association in the mind of the underdog between manual work and slavery ... Outside [producing] sugar, to which there is a traditional devotion, enterprise and good management are sadly lacking in Mauritius." In 1970, the government of Mauritius established an export-processing zone that was successful in diversifying exports away from sugar and generating growth in manufacturing employment of 12 per cent per year. In the 1980s, Mauritius had one of the highest per capita growth rates in the world.

Culture cannot be too important when similar cultures perform differently in response to different incentives. Divided countries like North and South Korea and, formerly, East and West Germany are good examples of same cultures, different outcomes. Russian workers' legendary sloth disappears as they cross the border into free-market Poland, where they are reputed to be the hardest workers.

The primacy of economic incentives over culture is good news for courageous reformers. They face great obstacles, but cultural inertia is not one. Peoples of even the most depressed economy have potential for future prosperity.

Lawrence Summers is chief economist and William Easterly senior economist at the World Bank.

An ambitious mission to mend a shattered land

Keeping the peace and arranging elections in war-torn Cambodia is one of the biggest challenges faced by the UN, says Victor Mallet

When Mr Boutros Boutros-Ghali, the United Nations secretary general, visits Cambodia on Friday to inspect one of the organisation's most ambitious peacekeeping operations, he will find his UN soldiers and bureaucrats confronting an unfamiliar challenge.

The UN in Cambodia is burdened not with the sort of intractable international conflict to which it is accustomed in Cyprus, Lebanon or on the borders of Iraq – for once all the foreign powers and feuding domestic factions have agreed on a peace plan. Instead, it faces the task of rebuilding a nation and turning it into a functioning democracy in just over a year.

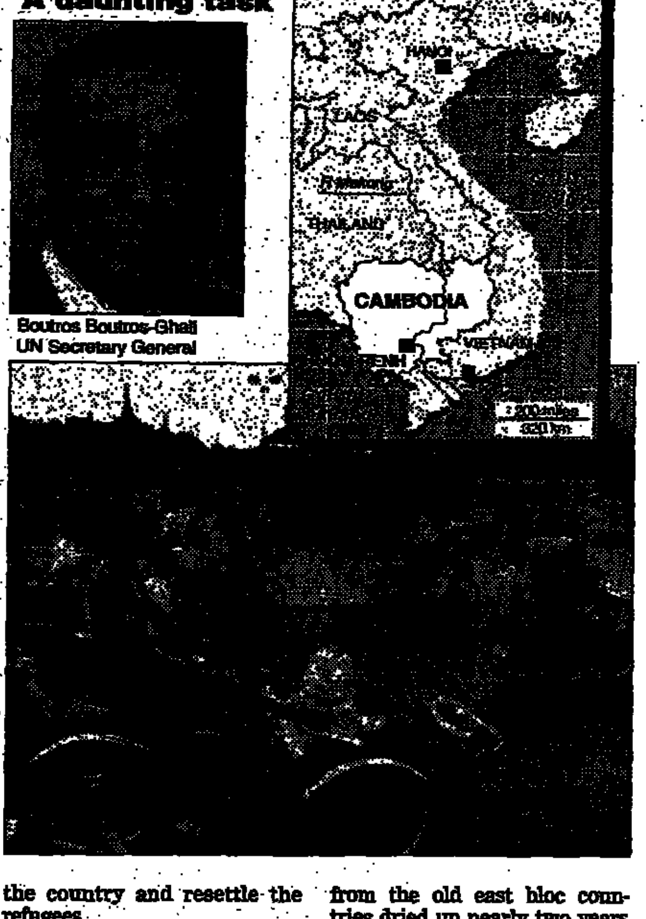
The country has suffered more than two decades of civil war encompassing the regime of the Khmer Rouge, the fanatical group responsible for the deaths of an estimated 1m Cambodians between 1975 and 1978, and the Vietnamese invasion which ended its reign of terror. Most Cambodians, from the refugee camps on the Thai border to the flattened beach resort of Kep on the south coast, are looking to the UN to resurrect their ruined land.

Mr Yasushi Akashi, the thoughtful 61-year-old Japanese who heads the UN Transitional Authority in Cambodia (Untac), has no illusions about the enormity of the task facing him and Lt-Gen John Sanderson, his Australian military commander. They are seeking to implement the comprehensive Paris peace accord concluded last October between international powers and the four Cambodian factions: the Khmer Rouge, the Vietnamese-backed government of Mr Hun Sen, the royalists, and Mr Son Sann's Khmer People's National Liberation front.

By May 1993, according to the agreement, Untac is supposed to resettle 375,000 refugees from neighbouring Thailand, disarm 450,000 soldiers and militiamen from the four main factions, and hold free elections: all this in a country where many of the inhabitants have no experience of democracy, where roads and communications are exceptionally poor, and where much of the land has been made uninhabitable by mines. "If one was a masochist one could not wish for more," said Mr Akashi.

Moreover, Mr Akashi has yet to be guaranteed he will receive the funds he regards as necessary to do the job. He wants $1.9bn for Untac and its proposed quota of more than 20,000 soldiers and officials, and a further $900m in voluntary contributions to rebuild the country and resettle the refugees.

A daunting task



Boutros Boutros-Ghali
UN Secretary General

He said he was disappointed at the delays in receiving finances. "We [the UN] are stretched," he said, "and many states are more willing to make political commitments than assuring us of the means to fulfil these mandates."

Only $200m has so far been agreed for the operation, although Mr Hun Sen, prime minister in the existing Cambodian government, is said to have done a good job persuading US, Japanese and French officials of the importance of Untac during a recent tour.

'It's a country where the physical infrastructure has been almost totally destroyed'

Aid is also available from multilateral organisations such as the Asian Development Bank and from charities. But aid workers fear that a world preoccupied with other crises, such as Yugoslavia, will forget Cambodia after the elections. "There is a danger that the west is going to suffer Cambodia aid fatigue by then," said an aid worker in Phnom Penh.

As if the funding of its own operations were not difficult enough, Untac is being urged by Cambodians to finance the running costs of Mr Hun Sen's lame-duck administration. Aid from the old east bloc countries dried up nearly two years ago, leaving the government with few sources of finance except the printing of new banknotes.

Financial shortages threaten the functioning of Mr Hun Sen's administration. The pitiful salaries of civil servants and soldiers in the provinces – a medical worker at Kampot hospital receives about $5 a month plus allowances for rice and paraffin – are being paid about three months late, and soldiers routinely hold up cars to extort cash.

Aid agencies are hoping that at least some foreign money can be spent on maintaining basic administration, and the UN itself may be obliged to bear some of the burden. Asked what sort of role Untac would play in the government's finances, Mr Akashi said: "It might be more extensive than we would have liked. This country faces phenomenal difficulties in the area of finance."

No less substantial are concerns over security. The UN has successfully brokered a fragile ceasefire between Khmer Rouge guerrillas and government forces around the central town of Kompong Thom. But the Khmer Rouge has been slow to fulfil its obligations under the peace accord and has continued to refuse access to areas it controls along the country's borders with Thailand and Laos.

More generally, UN officials expect that many Cambodians, accustomed to a lifetime of warfare, will retain weapons in contravention of the peace agreement, and that it will be difficult to reintegrate the demobilised soldiers and guerrillas into society.

The biggest challenge will be to accommodate the Khmer Rouge. Although included in the peace accord, western governments and most Cambodians are anxious to ensure the guerrilla group is excluded from power. The Khmer Rouge has tried to distance itself from its past and to promote a reformed image through claims that it now supports democracy. At the same time, its leaders appeal repeatedly to anti-Vietnamese sentiment.

But few voters are likely to support the Khmer Rouge in elections, and it is assumed in Phnom Penh that the guerrilla group is biding its time in the expectation that the next government will alienate the rural majority as have previous Cambodian regimes.

Already there are ominous signs: Khmer Rouge officials are seeking legitimacy by identifying themselves with the Supreme National Council (SNC) – which includes the four Cambodian factions and which is responsible, along with the Untac, for implementing the peace plan. The group has also sought to link itself with Prince Norodom Sihanouk, the country's influential former leader.

The political situation throughout the country is unstable. Several politicians and human rights activists have been assassinated in mysterious circumstances, presumably on the orders of hardliners in Mr Hun Sen's government, and there are doubts as to whether Prince Sihanouk himself, chairman of the SNC, has the vision required to rebuild his country.

With so much working against the UN, its mission is having to feel its way carefully. "It's a country where the social and physical infrastructure has been almost totally destroyed," said Mr Akashi.

"We have no illusions that Cambodia will become an exemplary democracy at the point where we leave, but at least we can lay the groundwork for Cambodian democracy in the future." If Untac does that, it will be a remarkable achievement indeed.

OBSERVER

Succession puzzle

■ The great unsolved mystery about the Hongkong and Shanghai Bank's bid for Midland is who will run the enlarged group.

It seems clear that for the short term Willie Purves will be in the driving seat. But he is already past retirement age and will stay in Hong Kong until late 1993. Once the merger has bedded down the intention is that the group chief executive will be London-based, and it is unlikely to be Purves.

Brian Pearse, Midland's excellent new chief executive, will get a seat at the top table. But he'll probably not be in the running, if for no other reason than that, at 58, he is only a couple of years younger than Purves. The same goes for John Gray, Purves's equally good deputy. Likewise 56-year-old Bernard Asher, who runs James Capel and already sits on the Midland board, is an unlikely candidate, because he is not a banker.

Nevertheless, the field is starting to narrow. John Strickland, 52, now responsible for the Hongkong Bank's information technology, will join Midland's board. John French, another Hongkong Bank veteran, has been given the task, along with Midland's Brian Goldthorpe, of looking after credit and risk management. These two, plus 51-year-old John Bond – currently nursing Marine Midland back to health – and Paul Selway-Swift, 48, are the obvious front-runners to succeed Purves.

Given the Midland's high turnover of senior staff, it looks unlikely to be the source of the next top honcho. Brian Goldthorpe, the only real survivor is close to retirement. Admittedly, Richard Delbridge, Midland's 49-year-old finance director who joined from J P Morgan in 1989, gets the plum job of group finance director plus a seat on the group board. But he would have to perform extremely well over the next couple of years to beat the Hongkong competition.

Indeed, it is easier to measure the losers than the winners on the Midland bench. The obvious casualty is Gene Lockhart, Midland's 42-year-old high-tech whizzbang. Of all the glamorous outsiders hired in Sir Kit McMahon's heyday, he seemed destined to be a chief executive. However, the highly-paid Lockhart has stayed out of the limelight since McMahon's departure, and – given Strickland's promotion – his days may be numbered.

The other big unknown is George Loudon, 49-year-old chief executive of Midland Montagu. His name has not figured in the reshuffle, although he is in charge of the part of the business which could provide the greatest long-term growth potential.

Monumental

■ The collapse of communism was swift; removing its icons takes longer. But this week the revolution caught up with Lenin in the Central Bank.

This fine building on Neglinnaya Street near the Bolshoi Theatre, which had housed the pre-revolutionary Moscow Stock Exchange and which for decades was home to Gosbank, USSR, was also home to two monuments to the maker of Soviet ideology.

One, a statue on the first floor, stood, arm outwards, as if directing visitors to the foreign currency department. The other was a saying from Chairman Lenin in the entrance hall, which announced, in effect, that once a revolutionary government had control of the central bank, then the seizure of the financial system was 90 per cent complete. Hardly suitable viewing for the squads of world bankers who pass through the portals to huddle with their counterparts from the Russian Central Bank.

So now it is only above the eternal flame to the state bankers who fell in the Great Patriotic War that a little hammer and sickle attests to the past.

Waigel's chair

■ Although the Germans may be rather preoccupied with their own problems at the moment, their finance minister Theo Waigel may turn out to be of greater support in his role as chairman of the EBRD than Jacques Attali, its president, may have thought.

After all, finance minister Waigel is expected to throw his weight behind Attali, who this week threatened to stop all help for Russia if liberalisation moves there are shelved. A wise-cracking conservative from Swabia in southern Germany, Waigel is chairman of the Bavarian Christian Social Union, sister party to Chancellor Kohl's Christian Democrats, and is keen to expand his foreign policy expertise. Chairing the EBRD will improve his credentials as a possible successor to Hans-Dietrich Genscher, Germany's long-serving foreign minister.

Some of the east European states to which the EBRD is preaching the message of tight budgetary control may, however, look askance at Waigel's own record. Since reunification, the finance minister has been no slouch at handing out fiscal largesse. Total net transfers from the German public sector to east Germany are estimated at DM 180bn this year, up from DM 140bn last year, with much of the money earmarked for social security rather than investment.

Hardly the best example, perhaps, for the way the EBRD should be dishing out its much more scarce resources.

Loose ends

■ Rubber masks of British prime minister John Major are now on sale at Hamleys, the London toy shop – knocked down from £19.99 to just £10. Meanwhile, spotted among remainders on a book stall at London's Waterloo station – "John Major: Prime Minister" – knocked down from £12.99 to £2.99.

Hardly a vote of confidence.

DC-tender

■ If the British are a nation of shopkeepers, the Swiss must be a nation of used aircraft salesmen. With 1,000 commercial aircraft, some brand new, parked in the deserts of Nevada and Arizona awaiting buyers, Swissair has still managed to raise nearly £54m by selling off its unwanted machines – a coup which enabled it to report a net profit in spite of a dismal year.

The three aircraft accounting for most of the income were DC-10s – not the world's most popular jetliners. Predictably, Swissair officials attributed their success to the TLC lavished on their charges and the fact that they are sold before they get too old. Otto Loepfe, Swissair's president, says that demand in the second-hand market is stronger for the DC-10 these days than for any other model. "None are available now," he says.

Warning

■ Notice in Copenhagen airline ticket office:

We take your bags and send them in all directions.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. *Please set fax for finest resolution*

Business leaders appeal to governments for successful conclusion of Uruguay Round

From Mr Joseph E Connor and others.

Sir, We the undersigned are chief executive officers of some of the world's leading corporations and officers of leading business organisations in our countries. Most of us have supported the Uruguay Round from its inception, and have given advice on its contents to our governments. At the initiative of the International Chamber of Commerce, we are writing to governments to convey our concern that deadline after deadline for concluding the Round is not being met and that the Round might be stalled indefinitely. Such a prospect impels us to express our strongly felt views to our leaders once again.

We have consistently emphasised our conviction that a successful Round is crucial to the long-term growth prospects of our economies. A reformed and strengthened multilateral trading system with substantially improved market access for goods and services is the key to that success.

The industrialised countries are plagued by recession directly attributable to a pervasive lack of business confidence impeding investment and prolonging retrenchment. Failure to complete the Uruguay Round would be a further serious blow to confidence. We know from our own experience and from that of our business colleagues that the continuing stalemate over the trade negotiations has contributed to the deterioration of the economic climate and the postponement of many business initiatives around the world, and thus to persistent and growing unemployment. Governments must demonstrate the political will necessary to conclude a strong and comprehensive agreement.

In addition to the negative impact on jobs at home, we want to draw our leaders' attention to the impact such failure to complete the negotiations would have on the situation of the developing countries and the former communist countries, most of which are trying to reform the structure of their economies and work their way out of large debt burdens. The ability to provide markets for them will be critical to the success of their efforts to develop sound market economies and maintain healthy democracies.

Convinced that a failure of the negotiations may have serious adverse repercussions on a global level and may threaten emergence of a new and better world order, we urge our leaders to use upcoming bilateral and multilateral meetings to bring the Uruguay Round to a successful conclusion.

Joseph E Connor, ICC president, Price Waterhouse World Firm, US; Hari Shankar Singhania, ICC vice-president, J K Organisation, India; Peter Wallenberg, ICC past president, Skandinaviska Enskilda Banken, Sweden.

Torvild Aakvaag, Norsk Hydro, Norway; Giovanni Agnelli, Fiat, Italy; John Akers, IBM Corporation, US; Robert E Allen, AT & T Corporation, US; Roberto de Andraca, CAP, Chile; Joichi Aoi, Toshiba Corporation, Japan; Edwin L Artzt, The Procter and Gamble Company, US; Ernesto Ayala, Compania Manufacturera de Papeles y Cartones, Chile.

Pedro Nicolas Bardon, Distribuidor de Ancap, Uruguay; Percy Barnevik, ABB Asea Brown Boveri, Switzerland; Thomas J. Bata, Bata, Canada; Pertti Berg, Starckjohann-Telko, Finland; Harry Berner, Berner, Finland; Sir Derek Birkin, RTZ Corporation, UK; S K Birla, Birla Group of India, India; Jorge Born, Bunge & Born, Argentina; Lawrence A Bossidy, Allied Signal, US.

Gabriele Cagliari, Ente Nazionale Idrocarburi, Italy; Sergio de Castro, CINTAC, Chile; Ricardo Claro, Compania Sud Americana de Vapores, Chile; Carlo De Benedetti, Ing C Olivett & C, Italy.

Werner Dieter, Mannesmann, Germany; C I van den Driest, Van Ommeren Ceteco NV, Netherlands; V L Dutt, KCP, India.

Agustin Edwards, Empresa El Mercurio, Chile; Koichiro Ejiri, Mitsui & Co, Japan; Robert B Findlay, MacMillan Bloedel, Canada; Donald V Fites, Caterpillar Inc, US; Donald Fullerton, Canadian Imperial Bank of Commerce, Canada; Franz Galliker, Swiss Bank Corporation, Switzerland; Rodney Galpin, Standard Chartered Bank, UK; Patrick J Gillam, Asda Group, UK; José Tomas Guzman, Celulosa Arauco y Constitucion, Chile.

Carl Hahn, Volkswagen, Germany; Sir Denys Henderson, Imperial Chemical Industries, UK; Gaishi Hiraiwa, Tokyo Electric Power Company Inc, Japan; Sir Peter Holmes, Shell Transport and Trading Company, UK; Robert Horton, The British Petroleum Company, UK.

José Luis Ibanez, LADECO, Chile; Carl Heinz Illies, C Illies & Co, Germany; Rokuro Ishikawa, Kajima Corporation, Japan.

Allen Jacobson, 3M Company, US; Baron Paul-Emmanuel Janssen, Générale de Banque, Belgium; Baron Daniel Janssen, Solvay & Cie, Belgium; Wolfgang Jentzsch, BASF, Germany.

Jak Kamhi, Profilo Holding Inc, Turkey; Yasuke Kashiwagi, Bank of Tokyo, Japan; Karlheinz Kaske, Siemens, Germany; Adnan Kassar, Fransabank, Lebanon; S L Kirloskar, Kirloskar Group of Industries, India; Yotaro Kobayashi, Fuji Xerox Co, Japan; Rahmi Koc, KOC Holding, Turkey; Chen-Fu Koo, Taiwan Cement Corporation, Taiwan; Hilmar Kopper, Deutsche Bank, Germany; Alex Krauer, Ciba Geigy, Switzerland; Yoh Kurosawa, Industrial Bank of Japan, Japan.

Lord Hall of Ipsden, S G Warburg Group, UK; Sir David Lees, GKN, UK; André Leysen, Agfa Gevaert, Belgium; Erling Lorentzen, Aracruz Celulose, Brazil; A A London, Akzo, Netherlands.

Floris Maljers, Unilever, Netherlands; Rodrigo Maillibens, Empresa Nacional de Electricidad, Chile; Manuel Martinez Dominguez, Laboratorios Columbia, Mexico; Helmut Maucher, Nestlé, Switzerland; Francis Mer, Usinor-Sacilor, France; Hans Messer, Messer Griesheim, Germany; José E Mindlin, Metal Leve, Brazil; Jérôme Monod, Lyonnaise des Eaux, France; S Morohashi, Mitsubishi Corporation, Japan; Akio Morita, Sony, Japan; Sir Jeremy Morse, Lloyds Bank, UK; David Morton, Alcan Aluminium, Canada.

R J Nelissen, ABN-AMRO Holding, Netherlands; Curt Nicolin, Incentive, Sweden; Luigi Orlando, Societa Metallurgica Italiana, Italy; François-Xavier Ortoli, Total, France; Theodore Papalexopoulos, Titan Cement Company, Greece.

Timo Peltola, Huhtamaki, Finland; Michael S Perry, Unilever, UK; Filiberto Pittini, Pirelli, Italy; Frank Popoff, Dow Chemical Company, US; Alfred Powis, Noranda Inc, Canada; John B Prescott, Broken Hill Proprietary Company, Australia.

Eero Rantala, Osuuskunta Eka-Yhtymä, Finland; Erik B Rasmussen, Danish Development Finance Corporation, Denmark; Lawrence G Rawl, Exxon Corporation, US; John Reed, Citicorp, US; Jürgen Reimnitz, Commerzbank, Germany; Edzard Reuter, Daimler Benz, Germany; Cedric Ritchie, Bank of Nova Scotia, Canada; James D. Robinson III, American Express Company, US; R Rootliep, Royal Nedlloyd Group, Netherlands; O H A van Royen, Hoogoven Groep, Netherlands; Bo Rydin, Svenska Cellulosa, Sweden.

Karl-Erik Sahlberg, Perstorp, Sweden; Rolf Sammet, Hoechst, Germany; N Sankar, Chemicals & Plastics India, India; Ernest-Antoine Seillière, CGIP, France; Sir Patrick Sheehy, BAT Industries, UK; Helmut Sihler, Henkel, Germany; Dr Hans Singer, Ferrostaal, Germany; Raumaq Singh, Raumaq Group of Enterprises, India; Robert Stempel, General Motors Corporation, US; Hans Peter Stihl, Andreas Stihl, Association of German Chambers of Industry and Commerce, Germany.

Akio Tanii, Matsushita Electric Industrial Co, Japan; Allan J Taylor, Royal Bank of Canada, Canada; Abderrahman Tazi, SCI, Morocco; P Fentener van Vlissingen, SHV Holdings, Netherlands; Paulo D. Villares, Villares, Brazil; Simo Vuorilehto, Oy Nokia, Finland.

L C van Wachem, Royal Dutch Petroleum Co, Netherlands; Gerhard Wendt, Kone, Finland; Heinrich Weiss, SMS Schloemann Siemag, Federation of German Industries, Germany; Wilhelm Wilhelmsen, Wilhelm Wilhelmsen, Norway; Lynton R Wilson, BCE Inc, Canada; Rona Yircali, Yapi Kredi Bank and Mortas Mining Co, Turkey.

This letter has also been sent to heads of state and governments of major trading nations.

Conservatives and community principles

From Mr Bryn Jones.

Sir, David Willetts ("Personal view", April 13) claims Majorite Conservatism rests on a combination of markets and community. Unfortunately for this aspiration, more than 100 years of both conservative and radical social science have shown that market and community activities are inherently contradictory. In a community, people act on the basis of moral values, while markets work largely because values are excluded. As one of J G Farrell's characters mockingly asks in his novel The Singapore Grip: "Do you expect a stockbroker to die for the Stock Exchange?"

On the other hand, *pace* David Willetts, support for welfare state institutions, such as the National Health Service, is a reflection of moral values. Contrary to Mr Willetts' view, the danger is that blanket support for market processes will displace the shared values that sustain community principles. If Conservatives are serious about "community" they need to re-think their blind faith in "free" markets. Otherwise they may have to face a more disillusioned electorate in 1997.

Bryn Jones,
senior lecturer in sociology,
School of Social Sciences,
University of Bath.

FINANCIAL TIMES
Wednesday April 15 1992

East Europeans attack EBRD for failing to meet their needs

By Nicholas Denton in Budapest

EAST Europeans sharply attacked the European Bank for Reconstruction and Development yesterday for failing to meet the region's financing needs.

At the bank's first annual meeting which ended yesterday in Budapest, Mr Ivan Kostov, the Bulgarian finance minister, complained that the bank had approved only one investment in his country, and had none in the pipeline.

"We need the help now; in two years it might be too late," he warned.

Mr Vaclav Klaus, the Czechoslovakian finance minister, summed up the region's reaction: "So far the role of EBRD in our part of world has been no more than marginal."

Mr Jacques Attali, the bank's president, noted that the bank was nowhere near exhausting its starting capital of Ecu10bn ($12.4bn) and said: "The bank has more money than projects."

In its first year it approved about 20 projects, committed only Ecu620m and disbursed only part of that amount. Set beside Mr Attali's ambitions and his estimate of Ecu4,000bn for east Europe's needs, that is a small sum.

The main difficulty is that the bank's ability to address a wide range of economic problems is boxed in by its founding charter and the powerful directors which shareholding countries put in place to constrain Mr Attali's ambitions.

The conditions of the mandate in practice oblige the bank to reject most applications for investments. Even of those few projects which have gone ahead, many only succeed against a barrage of criticism.

The requirement to scrutinise every application is the most vexing to Mr Attali. As eastern Europe has sunk further into economic depression, the scarcity of "acceptable" projects has become ever starker.

Mr Attali's frustration has become all the more acute with the widening of the bank's remit over the last few months to the countries of the former Soviet Union, where commercial projects are even fewer.

Mr Attali came up against the commercial constraint this week when he proposed a restructuring facility containing a combination of soft loans and high-risk equity. But Mr Attali's initiative was resisted by the US and other shareholders who want the bank *to stick to its brief.*

The appointment yesterday of Mr Theo Waigel, the German finance minister, as new chairman of the board of governors further undermines any move to include soft financing in the bank's brief. Mr Waigel repeated Bonn's objections to such a strategy, although he said an exception could be made to finance urgent *safety work on east* European nuclear reactors.

The bank has also struggled to differentiate itself from other lenders, even though it is forbidden to provide financing to applicants which can obtain it elsewhere. The Bank's Ecu61.4m loan to General Motors' Hungarian car and engine plant, for instance, nearly fell foul of these rules. GM even admitted that it could have arranged a loan elsewhere.

The bank's room for manoeuvre is narrowed even further by the fact that at least 60 per cent of its commitments must be to private sector projects, in keeping with the guiding aim of encouraging private enterprise.

The US has attacked several transactions on these grounds, among them the deal in which the bank took an equity stake *alongside Air France,* the state-owned carrier, in CSA, the Czechoslovak state airline – which a US official said should never be repeated.

But within its tight remit, the EBRD is thought by investment bankers to have made a promising start. The bank played a useful role in helping Salomon Brothers, the US investment *bank, place shares in Microsys*tems, an expanding private Hungarian computer company, according to those involved. The EBRD stamp of approval gave other private investors the confidence to commit.

The problem is that there are as yet few companies such as Microsystems in Hungary, the country most advanced in economic reforms.

But such isolated achievements have failed to satisfy east Europeans whose high expectations have been inflated by Mr Attali's vision.

Editorial Comment, Page 12

President François Mitterrand of France (left), on a visit to Turkey, and Turkish president Turgut Ozal (right) watch a whirling dervish perform during a ceremony at Topkapi Palace

Germany's public service unions call strike ballots

By Christopher Parkes in Bonn

GERMANY'S power struggle over pay has entered a critical phase following the collapse of negotiations between the government and public service unions on Monday night.

The four main unions involved, representing all public services, yesterday called strike ballots for next week after rejecting the employers' final offer of a package worth 4.8 per cent – in effect a wage freeze.

Mr Rudolf Seiters, the interior minister responsible for the employers' negotiating team, claimed the increase, payable to some 3m employees, would cost federal, state and local governments an extra DM15bn ($9bn) a year.

Ms Monika Wulf-Mathies, president of the ÖTV union, second in size to the engineers' IG Metall, said the employers' proposal was an encouragement to strike.

The offer came during resumed talks after an arbitration panel last week proposed – and employers rejected – a compromise increase of 5.4 per cent plus DM600 in back pay and holiday allowances.

The ÖTV, with 1.25m members, is the main force in the public services sector. It represents a range of local authority employees, including dustmen, nurses, bus and tram drivers, power and water workers. The three other unions involved represent white-collar, federal railway and postal staff. Results are expected by April 24. The ÖTV has threatened immediate stoppages if the necessary 75 per cent vote for action is achieved.

The employers' position is underpinned by determined resistance from Chancellor Helmut Kohl's administration, which is committed to strict controls on public spending and wants all available resources, including company profits, funnelled into the east German economy.

At a personal level, Mr Seiters wants to show his mettle in advance of this autumn's cabinet reshuffle. Ms Wulf-Mathies, meanwhile, who last year won a 6 per cent increase for her membership, faces re-election in June when her 10-year term ends.

Wavering public sympathy for union demands has so far tended to favour pay moderation, although the direct impact of disrupted public services may influence the mood.

The previous public sector strike, which lasted three chaotic days in February 1974, ended with capitulation by the employers and an 11 per cent pay award. All services were affected in many large towns.

EC bank chiefs warn, Page 3

THE LEX COLUMN

Hongkong's cheap shot

There is something not quite right about the marriage contract between the Midland and the Hongkong Bank. The immediate response of the Kuwait Investment Office was to put most of its 10 per cent stake up for sale. The *stake also apparently failed to find a* buyer at a price some 4 per cent below the initial value of the HSBC offer. It all suggests a high degree of resistance on the part of Midland holders. The latter must be doubly disconcerted by the firmness of the HSBC share price in London dealing after the details were announced. That hardly implies an excessive price tag.

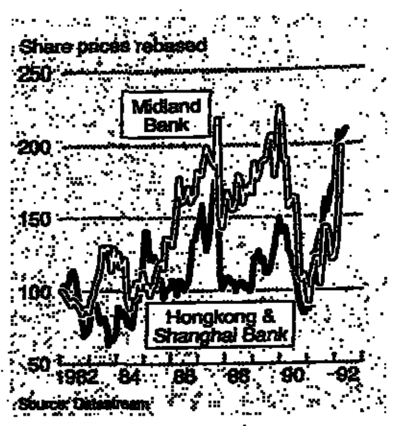
It would be very different if HSBC were prepared to offer cash. But using capital in this way is always difficult for a bank. The problem with a paper offer is that acceptance involves taking a stake in an amorphous bank with no record as a combined entity. The merger will generate only small cost savings and there is no guarantee of new business. On top comes HSBC's dismal record at managing its Australian and US subsidiaries. For the institutions, there must be better ways of investing in Asian growth.

As it is, Midland investors have to consider whether the immediate increase in return is worth the dilution of growth prospects that may make an exit price of 378p seem a giveaway two years down the road. Not only is Midland's loan book in relatively good shape, but its large backlog of unrelieved ACT will swell recovering earnings, allowing a high level of retention and pushing net worth substantially above the current 299p.

Perhaps its share price would have been firmer yesterday if the market really expected a counterbid from the likes of Lloyds. Such a bid might make sense because of the enormous scope for cost savings. But it seems unlikely. It would have to be hostile and would almost certainly raise issues of competition policy. The bidder would also be at a disadvantage because, unlike HSBC, it would have to enter the auction without having scrutinised Midland's books. HSBC appears to have set its price just high enough to make that risk excessive.

So that leaves three possibilities. First, HSBC may scrape through: Midland's management has agreed to the offer, though it did have more to lose if the negotiations disclosed last month collapsed. Second, HSBC may increase its offer. But that means even more dilution in the short term and the risk of a battle with its own sceptical shareholders. Third, it will be rebuffed. Midland's price would fall steeply in the short term, but investors prepared to stay the course would still be able to share in the recovery of a bank that is now clearly strong enough to stay independent. HSBC has a tough selling job on its hands.

FT-SE Index: 2600.5(+9.5)



RMC

The building materials sector offers a striking contrast between the adventurism of Redland, recent victor in its battle for Steetley, and the consistently cautious RMC Group. The latter has been a model of how to fund a business without recourse to shareholders. Judging by the noises accompanying yesterday's 23 per cent fall in 1991 pre-tax profits this is not about to change. The key to the shares will be the UK, which contributed only 17 per cent of last year's operating profits against well over half in 1989. The bad news is that the company sees little sign of a UK upturn. The good news is *that its determination to widen mar*gins in the absence of volume increases deserves to be taken seriously.

UK economy

The fact that February's data on UK production appeared only yesterday is a vexing reminder of how long the market will have to wait for the official picture of the economy's response to the Budget and the election. But the figures confirm the general impression that recovery was stirring in any case. Manufacturing output in February was up more than 1 per cent on January, while production of consumer goods was actually higher than a year ago.

In keeping with that was the fact that the rate of producer price inflation in March crept up slightly from the month before, thus confirming the mildly disappointing figure for retail price inflation last Friday. It may be that headline inflation will rise modestly from this point, as poll tax distortions work their way through. In such circumstances the new government must be seen to pursue a tight monetary policy if it is not to raise the cost of its already formidable borrowing requirement by reviving inflationary fears in the gilt market. With the local elections coming up next month, there may well be a temptation to bring forward a vote-catching cut in base rates. Wider strategy suggests the temptation should be resisted.

Taylor Woodrow

Not many companies fritter away the proceeds of a one-for-four rights issue within 12 months, even in prop*erty and contracting.* It is thus a measure of Taylor Woodrow's fall from grace that the company was forced to admit yesterday that virtually all the £163m it received in last April's cash call has now disappeared in retained losses and writedowns.

It may be that the new sense of purpose from the reshaped board, which was partly responsible for yesterday's 8 per cent jump in the shares, will ultimately revive Taylor's fortunes. But the immediate outlook for investors once income funds have collected their 8 per cent yield looks distinctly unexciting. The dividend, after all, was only held to honour the promise made with the rights issue. Unless something very extraordinary turns up it will have to be cut this year, perhaps from 9.5p to 7p. Even then, *the payout will be uncovered on profit* forecasts which were only being upgraded yesterday on the view that further Channel tunnel provisions will be deferred to 1993 and that last year's US contracting losses will not be repeated.

Taylor's big property exposure hardly looks attractive, and investors who disagree can do better than buy a stock trading at a mere 20 per cent discount to net assets. There are purer housebuilding plays in the market, and though the intention is to grow this side of the business, reduced cash flows from contracting will not leave limitless room for balance sheet manoeuvre.

Increased output figures boost UK recovery hopes

By Peter Norman and Emma Tucker in London

HOPES THAT the British economy might be recovering from recession were given a boost yesterday by news that industrial production and manu*facturing output increased* by 1.1 per cent in February.

The increase, which caught economists by surprise, brought the seasonally adjusted index of manufacturing output back to the levels last seen in the autumn. It also helped to push sterling to a six-month high against the D-Mark of just under DM2.92, before closing at *DM2.9125* compared with Monday's DM2.915.

The UK government received somewhat less encouraging news on inflation.

The output price index for home sales of manufactured goods increased by 0.8 per cent between February and March, lifting the year-on-year inflation *rate for goods at the factory gate* to 4.5 per cent last month from 4.4 per cent in February.

Economists said this slight upwards movement in output price inflation reduced still further the prospect of an early cut in UK bank base rates from their current 10.5 per cent level.

In spite of February's growth in output, manufacturing production was down by 2.9 per cent in the three months to February compared with the same period a year ago.

Comparisons of production trends in the lastest three months compared with the three months to November last year also depict an economy still stuck in recession.

Output of the energy industries fell by 2 per cent, due mainly to February's milder weather, while manufacturing output between the two latest three month periods declined by 0.5 per cent.

However, a 0.8 per cent rise in output of consumer goods in the latest three months led to some speculation that a consumer-led recovery might be imminent.

The Central Statistical Office reported a small increase in output of the paper, printing and publishing industries while food, drink and tobacco, the most recession proof component of *manufacturing industry,* lifted production by 0.2 per cent. Production in the engineering industries suffered a 1.1 per cent drop in the latest three months, despite higher car production in February.

February's rise in industrial production came after several recent tentative indicators of recovery. A survey of British purchasing managers two weeks ago indicated a revival of manufacturing activity between February and March while increased business confidence has been reflected in surveys from Dun & Bradstreet and the Institute of Directors. Treasury officials said that with election uncertainties out of the way February's manufacturing production level might now be a platform for further output growth.

Some increase in output prices had been expected last month because the government increased excise duties in its March 10 Budget. A 0.4 per cent increase in the output price index excluding food, drink and tobacco between February and March suggested that manufacturers' prices rose for other reasons too.

However, the Treasury saw little reason to fear a resurgence of output price inflation.

Input prices were subdued. The price index for materials and fuel purchased by manufacturers fell by a seasonally adjusted 0.5 per cent between February and March and rose 0.1 per cent in the 12 months to March.

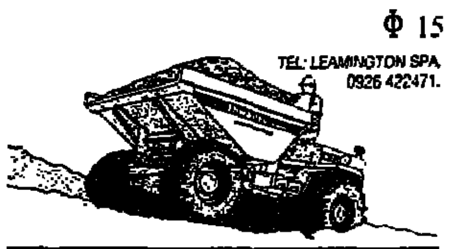
Slowdown in earnings, Page 7

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	S	11	62	Frankfurt	S	12	64	Majorca	S	17	63	Oporto	F	13	65	Tenerife	F	20	68
				Brussels	S	11	52	Geneva	S	14	57	Malaga	S	19	66	Oslo	F	3	37	Tokyo	C	14	57
				Budapest	S	15	59	Gibraltar	S	18	64	Malta	F	17	63	Paris	S	13	55	Toronto †	S	-1	30
Ajaccio	S	17	63	Buenos Aires		–	–	Glasgow	R	5	41	Manila	C	35	95	Prague	C	11	52	Tunis	F	19	66
Algiers	S	20	68	Cairo	F	22	72	Helsinki	F	7	45	Melbourne	S	24	75	Reykjavik	S	2	36	Valencia	S	20	68
Amsterdam	F	10	50	Cape Town	S	29	84	Hong Kong	S	21	70	Mexico City	C	26	79	Rhodes	S	16	61	Venice	S	14	57
Athens	S	16	61	Caracas	C	31	88	Innsbruck	S	13	55	Miami †	R	22	72	Rio de Janeiro	R	34	93	Vienna	F	13	55
Bahrain	S	29	84	Casablanca †	S	19	66	Inverness	C	6	43	Milan	S	16	61	Rome	F	17	63	Warsaw	C	11	52
Bangkok	F	37	99	Chicago †	R	4	39	Islamabad	C	29	84	Montreal †	C	-2	28	Salzburg	S	12	54	Washington †	C	6	43
Barcelona	S	16	61	Cologne	S	13	55	Istanbul	S	11	62	Moscow	R	7	45	S'Francisco †	S	13	55	Zurich	S	12	54
Beijing	S	14	57	Copenhagen	F	8	46	Jakarta	R	32	90	Munich	S	12	54	Seoul	C	12	54				
Beirut	F	18	64	Corfu	S	17	63	Johannesburg	F	23	73	Nairobi	F	25	77	Singapore		–	–				
Belfast	F	11	52	Dallas †	S	17	63	Lisbon	S	18	64	Naples	C	17	63	Stockholm	C	2	36				
Belgrade	F	15	59	Dublin	F	11	52	London	C	8	46	Nassau	F	28	82	Strasbourg	F	15	59				
Berlin	C	9	48	Dubrovnik		–	–	Los Angeles †	F	14	57	New Delhi		–	–	Sydney	S	24	75				
Biarritz	S	23	73	Edinburgh	R	5	41	Luxembourg	S	11	52	New York †		–	–	Taipei	F	24	75				
Bombay	S	31	88	Faro	S	19	66	Madeira	F	17	63	Nice	S	16	61	Tangier	F	21	70				
Bordeaux	S	21	70	Florence	S	18	64	Madrid	S	18	64	Nicosia	S	18	64	Tel Aviv	C	19	66				

Temperatures at midday yesterday
† Noon GMT temperatures
C–Cloudy Dr–Drizzle
F–Fair Fg–Fog H–Hail
R–Rain S–Sunny
Sl–Sleet Sn–Snow
T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday April 15 1992



INSIDE

Société Générale up sharply to FFr3.37bn

Société Générale, one of France's biggest private-sector banks, returned to profits growth last year with net profits up 25.8 per cent to FFr3.37bn ($601m). Page 18

Large rise for L'Oreal

L'Oreal, the world's largest cosmetics group, headed by Mr Lindsay Owen-Jones (left), yesterday announced a 19.7 per cent increase in net profits from FFr1.69bn ($300m) in 1990 to FFr2.02bn in 1991. The result was achieved in spite of the impact of the Gulf war and a significant slowdown in consumer spending in some major countries. Results and background, Page 21

Moody's cuts Nissan rating

Moody's Investor Service, the US rating agency, lowered its credit rating from A1 to A2 for $7.5bn of Nissan Motor debt, emphasising the financial troubles of Japan's second largest vehicle maker. Page 21

Golden days for Mali

Six centuries after gold was mined in the West African state of Mali, BHP Minerals International, the Australian-based multinational, is negotiating with the government about a huge investment programme. BHP, which has set itself a gold production target in West Africa of between 15-20 tonnes a year, has estimated that the Mali mine area has more than 80 tonnes of gold. Page 26

Weak demand hits RMC

RMC

Weak UK demand for ready-mixed concrete hit profits at RMC for the second year. Pre-tax profits fell to £167.4m ($294m) in 1991 from £216.2m in 1990 but the group proposes a marginally higher final dividend. Group sales rose 8 per cent to £2.8bn and operating profits fell 16.1 per cent to £194.6m. Page 23

Banc One in fresh takeover

Banc One, the aggressive Ohio-based commercial banking group, yesterday announced the acquisition of Valley National Bank of Arizona in a stock deal worth $1.2bn. Page 19

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
BHF Bank	454	+	11
Kali & Salz	148.5	+	4.5
Rheinmetall Brln	290	+	5
Falls			
Aachen Mch Reg	685	–	14
Asko	840	–	20
Colonia Konzern	980	–	10
NEW YORK ($)			
Rises			
Amer Home Prod	81¼	+	4
Charles Scwab	29½	+	⅛
Compaq	26¼	+	1
Hewlett-Pack'd	80	+	3
Motorola	76	+	1½
Valley Natl	49¾	+	11¾
PARIS (FFr)			
Rises			
Alcatel Alsthom	633	+	14
Cred Lyon (CI)	637	+	31
Michelin B	181.3	+	11.6
Printemps (Au)	738	+	18
SILIC	594	+	22
Falls			
Radiotechn	610	–	12
TOKYO (Yen)			
Rises			
Eos	580	+	70
Mochida Pharm	3050	+	370
Nippon Carbon	651	+	100
Okamato Inds	1180	+	120
Toko	549	+	62
Toyo Ink Mfg	640	+	71

LONDON (Pence)			
Rises			
BM	370	+	24
BPB Inds	174	+	8
Barclays	326	+	11
Business Tech	27	+	5
Clinton Cards	75	+	9
Cronite	44	+	16
Doeflex	95	+	12
Farnell Elec	302	+	16
Hartstone	239	+	13
Ibstock J'nsen	90	+	5
Mowlem (J)	157	+	9
MurdinPeacock	188	+	12
Raskel	80	+	12
Sage	484	+	31
Tarmac	145	+	10
Taylor Woodrow	129	+	9
Trafford Park	52	+	4
Wace	115	+	8
Falls			
Aviva Pet	111	–	38
Beckenham	6	–	4½
Birse	43	–	24
Erith	46	–	6
Ropner A	107	–	6

Auditor questions survival of MGM

By Alan Friedman in New York

THE survival of MGM, the Hollywood studio financially crippled by heavy debts and a lengthy legal dispute over its ownership, was questioned yesterday by KPMG Peat Marwick, the company's auditor.

In a report on MGM's 1991 results, which showed a total loss of $347.4m on revenues of $921.7m, the auditor questioned whether MGM would be able to continue as "a going concern".

MGM's loss in the last quarter of 1991 was $114.2m on revenues of $218.7m.

Peat Marwick's unusual qualification of the MGM accounts is based on the fact that the studio is in default on $600m of loans from Crédit Lyonnais of France, and is dependent on it for capital to fund its operations.

Although the company is trying to work out a business plan with the bank, which is also its majority shareholder, the auditor noted that there is presently no commitment from Crédit Lyonnais for the advance of additional cash to MGM.

Mr Alan Ladd, the co-chairman of MGM, yesterday blamed the studio's woes on "the disastrous actions and decisions of prior management". He was referring to the management of Mr Giancarlo Parretti, the controversial Italian financier who in late 1990 paid $1.3bn to buy MGM from Mr Kirk Kerkorian, the casino and hotel mogul.

Mr Parretti, who is still appealing a four-year prison sentence and fraud conviction in Naples, borrowed close to $1bn from Crédit Lyonnais's Netherlands office and secured the debt with MGM stock.

MGM was paralysed for much of last year as Mr Parretti and Crédit Lyonnais engaged in a series of lawsuits against each other. Three months ago a Delaware court ruled in favour of the bank and gave control of management and the board of directors back to Crédit Lyonnais.

Mr Dennis Stanfill, the newly appointed co-chairman of MGM in charge of finance, yesterday said: "The key here is that we have the co-operation of the bank and we are working with them to develop a long-term business plan. We hope to have one in the near future."

MGM's auditors also expressed concern yesterday about the "risk of certain litigation resulting in ultimate liabilities to MGM possibly in excess of current provisions".

Andrew Baxter sees signs of hope for construction equipment

Digging a path out of the trough

About six months' supply of hydraulic excavators is piling up outside factories and at dealers' yards worldwide, according to the UK head of one international supplier of construction equipment.

The stocks of unsold equipment bear witness to a global recession in the construction equipment industry. For a sector that has always found it difficult to face head-on the problems of overcapacity, they provide a counterpoint to the ballyhoo of the world's largest construction equipment exhibition, Bauma, in Munich last week.

"Last year was bad for the industry. All our weaknesses have been exposed. Apart from Germany, it went all the way through the system," says Mr Tuve Johannesson, president and chief executive of VME Group, the big Swedish/US producer.

VME and other big suppliers agree that, over the past two years, reunified Germany has been a lifesaver for the industry. On the back of eastern Germany's need to develop its infrastructure reunified Germany now accounts for 37 per cent of the western European equipment market, against 18 per cent for west Germany in 1989, said London-based Corporate Intelligence Group recently.

As German growth begins to level off, the first sparks of life elsewhere are beginning to appear. Last week, the salesmen at Bauma were desperately fanning the flames. Inquiries from non-German visitors to the stands were higher than expected. The result was a mood of hope, rather than the expectancy that characterised Bauma in 1989, when many big world markets boomed.

Since then, recession has spread from Australasia to North America, the UK and more recently continental Europe. On top of that has come the collapse of housing and construction markets.

In the UK, says a Scottish equipment buyer, "you can virtually name your price". In the US, the Illinois-based analyst Manfredi & Associates estimates that 1991 was the second-worst year on record.

Outside Germany, European markets slipped badly last year, and business conditions in Scandinavia are dire. The collapse of communism has converted the former Soviet Union and eastern bloc countries into long-term prospects but snuffed out immediate opportunities.

Even in Japan, equipment sales are falling. The hydraulic excavator market, the largest in the world, is running at around 45,000 units a year against the normal 60,000, says Mr H. Jay Takahashi, an international sales manager at Hitachi Construction Machinery. "Everything went down right after the political scandals," he says.

Overall, the world construction equipment industry lost money heavily last year – the leader, Caterpillar, suffered a $404m loss, its first since 1984. A number of companies are in trouble, although only the handful of publicly quoted suppliers such as Tenneco, currently restructuring its J.I. Case subsidiary, are forced to disclose their difficulties.

On the whole, however, it is hard to avoid the conclusion that the industry is to blame for its problems. Well-used to roller-coaster trading conditions, it is financially weakened by overcapacity of perhaps 20 per cent, while its structural fragmentation leads to duplication of effort.

Big companies such as Caterpillar, VME and Case have been forced to rationalise in the recession. Cat has shed 2,400 white-collar jobs in the past year, and is now in an acrimonious labour dispute that could bring savings of 10 per cent to 15 per cent in its US hourly workers' paybill.

These efforts are partially frustrated, however, by an unwillingness among smaller European producers to give up their independence or forge links with competitors to rationalise manufacturing capacity and products.

And while German reunification has kept the industry going over the past year, it may also encourage smaller German beneficiaries to defer strategic decisions which could collectively lift prices and profits.

The larger companies, meanwhile, have realised that restructuring and cross-border co-operation must continue as each pursues the same objective – a viable presence in the world's three main markets of North America, western Europe and Japan.

An announcement may be made soon on the most important deal being negotiated, a three-way European joint venture between Fiat of Italy, Hitachi and Deere of the US. But it is strongly rumoured that Deere has pulled out, unhappy about distribution arrangements for the backhoe loader it was due to contribute to the venture.

Of other deals in the pipeline, the most important involves the future of O&K, the German construction and mining equipment subsidiary of Hoesch, the German steel group being taken over by its domestic rival Krupp.

Observers believe that Mannesmann Demag of Germany is the strongest contender for O&K's loss-making construction equipment side, although other potential purchasers such as VME have been mentioned.

The third big question mark surrounds Clark Equipment's lift truck business, up for sale since the autumn with a product range that could tempt European or Korean rivals.

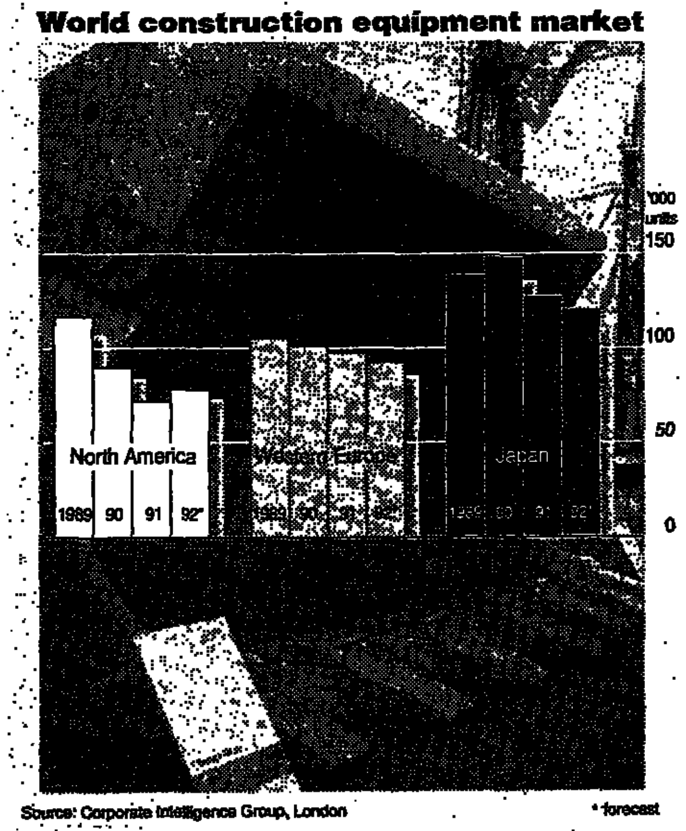
Such deals might help the industry avoid over-producing when next it hits a downturn. Meanwhile, the market outlook is beginning to improve, albeit somewhat patchily.

Mr Glen Barton, Caterpillar group president, says there are early indications that the US market is looking up, and last week's Fed fund rates reduction should help the housing market. The projected rate of recovery for the US economy is slower than normal, he says, but 1993 "could be a pretty good year".

Elsewhere, the improving economies of Latin America, excluding Brazil, are the only growth spot other than Germany. Most of Europe remains in recession, although Mr Barton says the Italian market is "reasonable" and sees "a little bit of stability in Spain". For many at Bauma, though, the immediate question was how long can the German boom last – growth is already slowing after the surge of equipment buying last year.

Mr Michael Michaelis, export manager at Liebherr, the German-Swiss producer which has been one of the leading beneficiaries of reunification, is untroubled: "The German boom will end, but by then other markets will have picked up." The early signs suggest he could be right.

World construction equipment market



Source: Corporate Intelligence Group, London
* forecast

Creditor confident on O&Y exposure

By Robert Peston and Bernard Simon in Toronto

CANADIAN Imperial Bank of Commerce, Olympia & York's biggest creditor, is confident that the property developer's troubles will have only a limited impact on its earnings, the bank's chairman said yesterday.

Mr Donald Fullerton said that at the worst, CIBC's exposure to O&Y was "not of a size that's going to take more than a bite out of our earnings". Mr Fullerton added that all the Canadian banks, four of which have large exposures to O&Y, are in a "reasonably strong position" compared with the early 1980s when several of them were hit by the Third World debt crisis and by loans to troubled western Canadian energy companies.

CIBC, Canada's second biggest bank, is believed to have an exposure to the property developer of around C$1bn ($844.4m). In 1991, it made after-tax profits of C$811m.

Mr Fullerton declined to discuss the details of O&Y's negotiations with its 100 banks. Other bankers said they did not have enough information from O&Y to decide if they could accept the company's proposal to defer payments of interest and principal on US$5bn of loans made to the parent company and defer principal payments on a further US$7bn of property loans.

O&Y met all the banks on Monday and will now negotiate with 12 smaller groups. At noon yesterday, lenders to O&Y's UK Canary Wharf office project met in Toronto for their first detailed discussions.

Bankers said that before they agree to defer interest or provide new funds to O&Y, they need information on loans provided by other banks, which they have not yet received.

One banker said he could not decide whether it was fair for his bank to provide new money until he had details of other banks' existing loans, the security on them and the destination of those loans.

Bankers said it would take "years" to complete the restructuring of O&Y's loans. All O&Y could hope for in the next 90 days, they said, was an agreement to provide £100m (US$176.9m) for work to continue at Canary Wharf, a further C$100m for the Canadian interests, a freeze on principal repayments and a framework for deciding which loans would have their interest payments deferred.

IBM ends year-long decline with 3.3% rise in revenues

By Louise Kehoe in San Francisco

INTERNATIONAL Business Machines has reported a rise in revenue and earnings for the first quarter, reversing a year-long decline. The computer group said US revenues rose almost 10 per cent in the quarter. However, sales outside the US remained flat.

Worldwide revenue for the first quarter of 1992 was $14bn, up 3.3 per cent from $13.6bn a year ago. Net earnings from operations for the three months were $595m, or $1.04 per share. This compared with $556m, or 97 cents, a year earlier when IBM took a $2.26bn charge against earnings reflecting a change in accounting for pensioners' health benefits. Net losses were $2.99 a share.

Comparisons with 1991 first quarter results were further complicated by the restatement of earnings to reflect a new accounting method for software revenue which increased earnings from operations by 4 cents a share.

"Overall, we're pleased with these results and believe we're on track toward achieving our financial objectives for the year," said Mr John Akers, chairman.

IBM's results cheered Wall Street which had predicted earnings of between 90 cents and 95 cents for the quarter. IBM shares rose to $88¾ at mid-day from a Monday close of $87¼.

Analysts said the first-quarter results were a significant step toward IBM's recovery. Last year IBM reported its worst-ever financial results including its first-ever annual loss of $2.8bn after charges and its first revenue decline in 45 years.

IBM announced plans in December to eliminate up to 20,000 jobs worldwide this year. The company also launched a reorganisation of its operations to give business units greater autonomy.

Details of IBM's first-quarter earnings show that revenue from hardware sales slipped 2.7 per cent to $7.12bn from $7.31bn in the first quarter of 1991. However, IBM said its "almost double-digit" growth in US revenues was led by hardware sales and services.

Total revenue in Europe declined in the quarter, IBM said. However, Asia Pacific revenue rose, helped by IBM Japan's acquisition of the remaining interest in Computer Systems Leasing, a finance company that leases IBM equipment to users.

Michelin cuts losses to FFr699m

By Alice Rawsthorn in Paris

MICHELIN, the world's largest tyremaker, yesterday saw its shares rise sharply after it announced a hefty reduction in net losses from FFr4.81bn in 1990 to FFr699m ($119.7m) in 1991.

The group, which late last year rewarded shareholders for their loyalty through a period of losses by giving them free warrants, returned to operating profits of FFr780m last year, against losses of FFr1.13bn for 1990.

Michelin attributed the improvement in performance to radical restructuring – including tighter stock control and job losses – accompanied by price rises and lower raw material costs. The company's shares firmed FFr11.60 to FFr181.30 on the Paris stock market,

It reduced its workforce by 8,500 in 1991, as part of a two-year programme to shed 16,000 jobs. The group also cut investment from FFr12bn in 1990 to FFr3.9bn in 1991 and brought its stock levels down to 22.5 per cent of turnover, well below its target of 25 per cent.

The cost of restructuring fell from FFr3.44bn in 1990 to FFr1.42bn last year. Michelin has now made full provision for its restructuring programme.

Michelin, like its competitors, suffered from the economic slowdown on demand for tyres and from the problems of its customers in the motor industry. Group turnover rose from FFr62.74bn to FFr67.65bn during the year, but this was due to the first full contribution from Uniroyal-Goodrich in the US.

The underlying level of sales growth was 2.2 per cent as a slight improvement in consumer demand – and higher prices – compensated for reduced sales to motor manufacturers.

Mr Eric Bourdais de Charbonnière, finance director, said the tyre business had got off to a "good start" in 1992, with the first quarter showing an improvement over the same period in 1991, when demand was disrupted by the Gulf war. Volume sales of tyres fell 3 per cent in 1991.

Michelin reduced its debt by FFr700m to FFr27.8bn last year. Mr Bourdais de Charbonnière signalled that the group might try to raise capital to accelerate debt reduction. This confirmed stock market speculation that Michelin might stage a rights issue. "It may be necessary to ask our shareholders for funds," he said. "The main question is when."

The beginning of an era of change for Hong Kong investors

Simon Davies and Simon Holberton assess the impact of the Hongkong Bank's takeover of the UK clearer on the colony's banking sector

INVESTMENT analysis in Hong Kong will never be quite the same again. HSBC Holdings, parent of Hongkong Bank, yesterday ended years of speculation with the revelation of its secret inner reserves.

The final figure caused few surprises, amounting to HK$16.6bn (£1.2bn), before minority interests, with an additional HK$8.7bn surplus on the value of its long-term investments and properties.

Hongkong Bank still, however, stuck by its rule of valuing its interest in Hang Seng bank at its 1965 acquisition price of HK$51m. Today that shareholding is worth about HK$33bn.

The new figures emphasised the profitability of the bank's Hong Kong operations – the colony accounted for 45 per cent of the bank's assets and 87 per cent of its profits before tax in 1991 – but underline the risks inherent in its expansion away from its main profit centre.

The latest figures, accompanying HSBC's recommended offer for Midland Bank, come as an enlightening post-script to the bank's recently announced 1991 profits.

For the first time investors caught a glimpse of the banking group's genuine earnings over the past three financial years and the numbers are impressive.

The strength of HSBC's local operations was highlighted in the fact that it transferred HK$1.58bn to its inner reserves in 1990, one of the toughest years in recent banking history. While 1991's HK$6.77bn group profit (before minority interests), understated the actual figure by HK$3.52bn.

The total amount transferred by HSBC to its inner reserves over the past three years amounted to HK$8.5bn.

HSBC's announcement was accompanied by its 62 per cent-owned local subsidiary Hang Seng Bank declaring inner reserves. These amounted to HK$7.06bn at December 31 1991, and compares with its shareholders' funds of HK$23.16bn.

The impact of the Hongkong Bank and Hang Seng's revelations are profound for the Hong Kong banking sector. Today the Hong Kong market will be trading banking stocks on unequal information. The colony's two biggest banks will be trading on a fully disclosed basis while others, notably the Bank of East Asia, Dao Heng Bank and Wing Lung Bank, will be trading on information which includes transfers to inner reserves.

Analysts believe that Hongkong Bank's actions will force other listed Hong Kong banks to follow suit. The banking sector has necessarily been rated on the basis of disclosed earnings.

In the case of Hang Seng Bank, the actual profits were 60 per cent higher than those it had announced to shareholders in February, due to a HK$1.72bn transfer to its reserves.

Analysts expected strong support for Hang Seng Bank shares as a result, providing added incentives for the remainder of the listed banks to follow suit and declare their true position.

Mr William Purves, chairman of HSBC, said Hongkong Bank had made little use of its inner reserves, except during the shipping crisis of the early 1980's and in 1987, when it wrote off the goodwill from the acquisition of Marine Midland and also marked down the US subsidiary's LDC loan exposure.

The group's inner reserves would have been revealed for 1993, as a result of European banking legislation, but HSBC will be obliged to hard-sell its takeover offer and the reserves provide a big positive point.

The HK$16.61bn reserves represent a 20 per cent increase to its reported capital resources, resulting in a fully disclosed net asset value per share for HSBC of HK$43.03, a premium of more than 10 per cent compared with its closing share price in Hong Kong.

Mr Purves commented that criticism of the takeover of Midland has focused on the fact that Hong Kong has historically provided the bulk of group earnings and was entering a high growth period which would considerably outstrip the European economies.

In 1990, when large banks around the world were writing off bad debts, Hongkong Bank had no need to resort to inner reserves. Its local operations contributed HK$9.68bn to profit before tax, making up for HK$2.99bn losses from its US and European operations.

Mr Purves agreed with concern voiced by Chinese officials, over the bank stepping back from its historic base in Hong Kong. "It is not in the group's interests to diminish its interests in Southern China and in Hong Kong. We are increasing our market share and will carry on doing so. We believe the authorities in China have nothing to fear," he said.

But in spite of his lengthy justification for the merger, there remained considerable concern that the deal was substantially pitched to the favour of London. One Hong Kong broker gave a "consensus view" of the short-term impact of the Midland offer.

"From the UK side it is not paying enough. And on the Hong Kong side it is paying too much," he said.

Hong Kong operations had been expected to contribute substantial earnings growth in 1992. The impact will be diluted by the acquisition of the still-troubled Midland. Hong Kong investors are being urged to focus on the long-term benefits of the deal, which should come through in 1994, according to latest brokers' estimates. But Hong Kong investors are not renowned for their long-term outlook.

That said, there may be some short-term gain from the announcement that the bank's prohibition on one investor owning more than 1 per cent of its stock will go. This will enable fund managers to raise their holdings in what is still an attractively priced international bank.

HSBC Holdings: the inner reserves

	Year ended 31/12/91 £ million	Year ended 31/12/90 £ million	Year Ended 31/12/89 £ million
Group net profit reported	465	272	376
add back: transfers to inner reserves	242	108	234
Fully disclosed group profit	707	380	610
Profit attributable to minority interests*	(121)	(97)	(80)
Profit atttributable to shareholders	586	283	530
Fully disclosed EPS	36p	18p	33p
Capital resources as reported	5,648	5,484	5,431
Add back: inner reserves at year end	1,141	923	859
Fully disclosed capital resources	6,789	6,407	6,290
Less: Loan capital & pref shares	(1,274)	(1,375)	(1,421)
minority interests*	(696)	(592)	(526)
Fully disclosed shareholders funds	4,819	4,440	4,343
Fully disclosed net asset value per share	296p	275p	271p

* HSBC Holdings owns only 62 per cent of Hang Seng Bank. Exchange rate: £1 = HK$14.56 on Dec 31, 1991.

Brian Goldthorpe (left), group chief executive of Midland Bank, and William Purves: defending the takeover

Regulator likely to be Bank of England

THE BANK of England is likely to become the main regulator of HSBC Holdings if Hongkong Bank's acquisition of Midland Bank is successful.

However, most of the operations will remain outside the scope of the Bank of England's direct regulatory supervision – an arrangement believed to be unique for a UK-based banking group.

Mr William Purves, Hongkong Bank's chairman, said yesterday that the Bank would supervise the holding company, while its subsidiary banks will remain regulated by the monetary authorities in the jurisdictions in which they are headquartered.

A formal application has been made to the Bank of England. Informal discussions have continued with the Bank since Hongkong Bank first showed an interest in Midland, and the Bank is believed to have agreed in principle to take responsibility.

The Bank of England's role as lead regulator springs from the fact that the group will be run from London, rather than simply that it is legally incorporated in the UK.

Mr Purves said the regulator wanted "to know where the mind and management [of the bank] is." For HSBC Holdings that place will be London where, eventually, the bank's chairman and chief executive will reside.

The Bank's responsibility for the group holding company, though, will not give it direct responsibility for most of its operations. While Midland will continue to be overseen by the Bank of England, Hongkong Bank will remain under the supervision of Mr David Carse, Hong Kong's banking commissioner.

This arrangement differs markedly from that of Standard Chartered, the UK-based overseas bank which offers the closest parallel. The main operating arm of Standard Chartered is located in the UK, with other operations around the world run as branches or subsidiaries owned by the UK bank. This gives the Bank of England a direct interest in the supervision of operations overseas.

Mr Carse, who is technically on secondment in Hong Kong, having previously worked in the Bank of England's supervision department, said the decision to have the Bank as the key regulator was in line with international supervisory principles.

The Bank of England has in the past been responsible for Hongkong Bank's branch operations in the UK. It will for the first time become responsible for the group's capital position and the fitness and properness of its directors.

Simon Holberton
Richard Waters

Institutional holders disappointed by bid level

MIDLAND BANK's institutional shareholders yesterday expressed disappointment at the recommended offer by HSBC Holdings as it emerged that the Kuwait Investment Office had failed to reduce its 10.5 per cent holding to 3 per cent.

The KIO is keen to secure cash upfront, at about 360p a share, for most of its Midland shareholding rather than wait to take the Hongkong and Shanghai Bank's paper and cash offer, valuing Midland shares at 378p.

However, it is thought that the KIO had failed to work up demand for its shares which it continues to hold.

M&G, which holds just under 6 per cent of the banks' shares, and Phillips and Drew Fund Managers, with about 4 per cent of the stock, expressed disappointment that the offer was not closer to the 400p which most shareholders had hoped for.

Some of the smaller institutional shareholders, including the Prudential, Norwich Union, and Mercury Asset Management, are hoping that Lloyds may come in with a bigger offer.

One senior fund manager said: "The Hongkong bank is pricing this one on the nail. If Lloyds counter bid with a bigger offer it would almost certainly be accepted. Nor should anyone automatically assume that the offer will be accepted without a counter bid."

Some shareholders criticised the management of Midland for failing to drive a harder bargain.

However, most institutional shareholders accepted that it would be highly unlikely for the offer to be rejected without a counter bid.

It is almost without precedent for shareholders of one party which have agreed to be bought by another party to force them back to the negotiating table in order to secure a higher offer.

Another fund manager said: "Without a counter bid the odds are that this offer will be accepted, however reluctantly."

Midland's advisers remain confident that Lloyds' share price was likely to fall in the event of it launching a counter bid, making it harder for the bank to top its offer of 378p a share.

City analysts were also disappointed by the terms of Hongkong Bank's offer for Midland yesterday.

Mr John Aitken, banking analyst at County Nat West, said the value of the offer was between 20p and 30p too low.

"Midland has squandered a chance to deliver a much better deal for shareholders. Hongkong Bank is a forced buyer and there is a moral case for a higher offer because interest has been shown by another party," he said.

Mr David Poutney at UBS Phillips & Drew said Hongkong Bank's offer was inadequate. "Hongkong Bank is getting about 13 per cent of the UK banking market with only a slight premium to net asset value when Midland has good recovery prospects.

"Given the risks in the Far East, our clients wanted to see a bigger bid at around 400p," he said.

Analysts speculated that the lower-than-expected offer, and opposition to it from institutional shareholders, left the door open for another bidder to appear.

Roland Rudd
Angus Foster

HSBC tax shift to cost £200m

HSBC HOLDINGS, the London holding company of the Hongkong and Shanghai Bank's worldwide assets, will incur an unexpected £200m ($344m) provision against additional tax charges by becoming UK resident for tax purposes after the takeover of the Midland Bank, it was disclosed yesterday.

The change of tax status has been carefully planned to ensure that taxpayers outside the UK will not suffer reduced dividends.

Mr William Purves, HSBC chairman, said that he expected that the impact of higher UK corporate taxation on the London-registered holding company would be neutral by the third year after the takeover.

HSBC is already incorporated in the UK, but is currently non-resident for UK tax purposes as it is still substantially managed from Hong Kong. That may change on January 1 1993, with the relocation of "appropriate group functions" – including the chairman's office – to the UK.

A number of HSBC subsidiaries already pay UK corporation tax – or the rate applicable in the country in which they operate.

Dividends to the holding company, which are presently taxed at local rates, will now be liable at the UK level.

The Hong Kong corporate tax rate is being raised by 1 per cent to 17.5 per cent, but remains mild compared with the UK rate of 33 per cent.

Mr Purves said the £200m provision was conservative and he expected no additional tax burden for the enlarged group.

UK corporation tax is payable on dividends from non-UK subsidiaries of HSBC. These would be transferred in order to pay the holding company's own dividends. UK tax would also be incurred on capital gains registered by HSBC.

Mr Purves said: "There are many sources from which we can pay HSBC Holdings dividends, without cleaning out its own subsidiaries." That will depend largely on the performance of the non-Hong Kong operations.

In 1991, out of HSBC's HK$12.8bn fully disclosed profit before tax, HK$11.1bn was generated in Hong Kong, which has no double taxation treaty with the UK.

A substantial pick-up in earnings from Midland and Marine Midland, HSBC's US banking subsidiary, would neutralise the impact of UK taxation; the US has a double taxation treaty, while there will be no change in Midland's own tax treatment.

Simon Davies
Andrew Jack

The interior of the Hong Kong and Shanghai Bank head office

The enlarged HSBC Holdings

Balance sheet*

	1991 £m
Cash, short-term placings with banks, trade bills	49,476
HK Govt certs of deposit	2,757
Investments	10,659
Advances to customers and other accounts	77,450
Investment in associates	365
Premises and equipment	3,956
	144,663
Liabilities	
Hong Kong currency notes in circulation	2,761
Current deposits and other a/cs	131,378
Proposed dividend	160
	134,299
Capital resources	
Loan capital and pref shares	3,958
Minority interests	862
Shareholders' funds	5,544
	10,364
	144,663

Profit & Loss Account*

	1991 £m
Operating profit before debt charge	2,143
Charge for bad and doubtful debts	(1,405)
Operating profit	738
Share of profits of associates	37
Exceptional items	70
Profit before tax	845
Taxation	(221)
Minority interests	(137)
Extraordinary items	10
Attributable profits	497
Earnings per share	20.9p

*Pro forma, with inner reserves fully disclosed

Marine Midland returns to black

Marine Midland Bank, Hongkong and Shanghai Bank's US subsidiary, yesterday reported its first quarterly profit in eight quarters.

The opening period of 1992 showed a net profit of $2.6m (£1.5m) against a $72.3m loss.

Operating expenses have been cut, with staff costs in the quarter down from $101.8m to $90.3m. Provisions for loan losses were $40.5m ($109.4m).

In the 1991 year the net loss was $189.9m ($295.6m).

The bank has been cutting out its worst performing parts.

Maggie Urry

Plans for treasury and investment hide series of stern tasks

THE PLANS for the treasury and investment banking operations of Hongkong Bank and Midland Bank appear on the surface a model of simplicity. In practice, however, rationalising these parts of the two group's operations is likely to be among the most difficult tasks facing the new management.

The treasury businesses will be run as a single, worldwide operation with a significant presence in London, Tokyo and New York, according to yesterday's offer document from Hongkong Bank.

The combined market presence of the two groups, and the capital strength of Hongkong Bank, would give the treasury additional muscle and would offer economies of scale.

Investment banking, on the other hand, would be run almost as a series of cottage industries, by several brand names.

On the one hand, that would involve James Capel and Wardley, the Hongkong Bank's UK securities house and Far East investment bank; and on the other, Samuel Montagu and Greenwell Montagu, Midland's merchant bank and UK government securities specialist.

The proposed new group's structure, and recent changes to each group's investment banking operations, suggest that this simplistic model may prove difficult to follow.

Attempts to manage treasury at a global level may encounter difficulties, given the organisation of the group into separate banking operating companies in different centres.

Transfer pricing – the process of allocating profits between different centres, already one of the main problems for the management of global treasury operations – would be complicated by this.

In London, the merging of the two treasury businesses also highlights a strategic difference: Hongkong Bank runs treasury as part of its branch operations, while Midland has located the business in Midland Montagu, its investment banking arm.

Such differences permeate the two groups: Hongkong Bank, for instance, runs all its fixed income businesses through the main bank, while Midland has the successful Greenwell Montagu, part of Midland Montagu.

Fitting together other investment banking operations may also cause difficulties.

There is a clear split between the corporate finance businesses of Wardley and Samuel Montagu, which operate in the Far East and Europe respectively: each could remain under the control of its current parent bank. However, James Capel, the London-based securities arm of Hongkong bank, does not fit the pattern.

Steps have been taken to integrate it progressively into Hongkong Bank, which suggests that the collection of independently run companies envisaged in the offer document may not be the final outcome.

Capel would logically fit under the Midland umbrella, since it is based in London.

Midland has nevertheless tended to look askance at the equities business, Capel's main base, since it pulled out of equities itself after London's Big Bang in the mid-1980s.

Richard Waters

London the headquarters but much independence at a local level

THE DESIGN for the enlarged HSBC Holdings after the takeover of Midland Bank is disarmingly simple and represents an application to international banking of the management idea: "think global, act local."

The holding company will pool all of the transnational aspects of the two main bank's activities – international customers, investment banking, treasury and technology – while the key operating units will remain relatively independent to pursue growth within their borders.

Regulation and logic require that the "brain" of the new bank be in one place, London. London will be the headquarters of the holding company and the residence of the senior executives who will hold the main responsibilities.

The board of HSBC will be internationalised to include not only the top executives from the main operating arms – Hongkong Bank and Midland Bank – but, in due course, non-executives directors from the US, Europe and Asia. The boards of the main operating banks will further be localised.

But while the rationale for the takeover is growth through increased business, Mr William Purves, HSBC Holdings' chairman, believes there will be considerable scope for rationalisation and the effect of that increased efficiency on the combined banks bottom line.

He also forecasts synergy in a number of activities:

● Trade finance. Hongkong Bank started in trade finance in 1865 and is regarded as one of the best in the field. Mr Purves believes that his bank has much which it can teach Midland about trade finance and that should have benefits for Midland in European trade and trade between Europe and the rest of the world.

● Technology. Last year the combined banks spent about £625m on information technology and Hongkong Bank believes economies can be achieved not only in the acquisition of new technology but in the processing of information, systems development and maintenance.

The issues before the enlarged bank are the creation of a five year plan to improve Midland's technological capability and, in Mr Purves's words "the need to get the two banks' computers talking to each other better than they are."

● The treasury area offers big scope for rationalisation and the banks plan to merge their two treasury operations. These will also be enlarged to take in dealings in government securities as well the more usual foreign exchange, money market, and derivative products.

The problems Hongkong Bank has had in negotiating swaps with other financial institutions that have a post 1997 maturity will disappear with the merger – leading, theoretically, at least, to a lower cost of finance.

● Investment banking is another area ripe for rationalisation. While the separate identities of Samuel Montagu, James Capel, Trinkaus & Burkhardt, Euromobiliare and Wardley will be retained, the plan is to run investment banking as a global business where overlapping activities are rationalised.

Simon Holberton

Au Printemps acquires Conforama for FFr4.83bn

By Alice Rawsthorn in Paris

PINAULT, the French industrial concern which recently won control of the Au Printemps department store group, has agreed terms to sell Conforama, France's largest chain of furniture stores, to Au Printemps for FFr4.83bn ($867m).

The decision to sell Conforama, which Pinault bought last year from the Au Bon Marché retail group for FFr4.4bn in an ingeniously financed deal, forms part of the long-standing strategy formulated by Mr François Pinault, chairman, for the Au Printemps group.

Mr Pinault has just emerged from the cloud of controversy that greeted his partial bid for Au Printemps. The bid caused a storm of complaints from minority shareholders frustrated at being excluded from the deal. It is one of the chief catalysts for the French government's ongoing review of takeover legislation which is widely expected to end with the abolition of the right to make partial bids.

The sale of Conforama – at a higher price than that paid by Pinault when it bought the business in May last year – will help Pinault to defray the cost of buying its majority stake in Au Printemps.

Conforama, which is France's biggest single furniture chain and the second largest player in electrical retailing after the Darty group, saw its net profits slip by 13 per cent to FFr260m on sales of FFr7bn last year.

The flagship Conforama store is in the centre of Paris on the right bank of the River Seine, but the bulk of its outlets are in suburban sites. By contrast the Printemps department stores tend to be in inner city locations like that of its flagship store on Boulevard Haussmann in Paris. Au Printemps also owns the La Redoute mail order business.

Mr François Pinault has long maintained that the merger of Au Printemps and Conforama would produce considerable benefits by integrating central facilities, such as consumer credit, and by pooling their purchasing power.

Société Générale advances to FFr3.37bn

By Alice Rawsthorn in Paris

SOCIETE Générale, one of France's biggest private sector banks, returned to profits growth last year with net profits rising by 25.8 per cent to FFr3.37bn ($601m), from FFr2.68bn in 1990.

The result from the group, which recorded a fall in profits in the previous year because of a steep increase in provisions on debts and securities, comes towards the end of a season of mixed results from the French banking sector.

Banque Nationale de Paris also reported a return to profits growth for 1991 after a difficult year in 1990. However, Paribas, the investment banking group, posted its first loss of FFr200m in 1991, and last week Crédit Lyonnais announced a fall in profits after a dramatic increase in client risk provisions from FFr4.2bn to FFr9.5bn.

Société Générale, after sustaining a sharp rise in write-offs to FFr6.79bn in 1990, managed to reduce its provisions by 19.1 per cent to FFr5.49bn in 1991. The balance sheet total increased by 8.6 per cent to FFr1.22bn during the year, from FFr1.12bn.

The bank said yesterday that, "despite the difficult economic environment" last year, it had benefited from a strong performance from its market trading activities and from its operations in New York and Tokyo.

The general level of demand for credit in France was dampened last year by high interest rates, but Société Générale said that demand from commercial customers had been higher than that from individuals.

The group's net banking income rose by 9 per cent to FFr35.41bn from FFr32.49bn, and gross profits increased 16.4 per cent to FFr10.51bn, from FFr9.03bn.

Société Générale saw gross profits from its domestic banking interests rise to FFr5.7bn from FFr5.3bn, and from its international interests to FFr2.6bn from FFr1.6bn.

The property management division made static gross profits of FFr500m, and the group's income from market trading moved from a loss of FFr300m into gross profits of FFr600m. The specialist financial division saw gross profits fall to FFr1.8bn from FFr2.1bn.

The board proposed holding the dividend, for the third year in succession, at FFr15 a share. Société Générale's 'A' shares were stable yesterday at FFr533.

Cable & Wireless in Russian joint venture

By Hugo Dixon in London

CABLE & Wireless, the UK-based telecommunications group, has formed a joint venture to provide long-distance and international communications networks to Russia's main business centres. A final go-ahead for the project depends on a study into its financial and technical feasibility.

The joint venture, Metropolitan Communications, is 50 per cent owned by C&W, and 50 per cent by Intertelecom. State-owned Intertelecom is the main provider of long-distance and international telecommunications services in Russia.

The aim of the joint venture is to modernise, develop and operate long distance and international networks in Moscow, St Petersburg, the "Golden Ring" of large towns surrounding Moscow and Russia's main oilfield.

C&W has an exclusive arrangement with Intertelecom for these geographical areas, but the Russian carrier may form different joint ventures in other areas. Intertelecom no longer has monopoly rights to provide telecommunications services in Russia, although it is the largest operator.

Metropolitan Communications is one of the most ambitious joint ventures between a western telephone company and a telephone company from the old Soviet bloc. Over the past two years, the governments of eastern Europe have made investment in telecommunications, which was neglected under Communist rule, a priority.

C&W refused to name its likely financial commitment to the project, but said it would probably be looking for World Bank financing.

Lord Young, C&W's chairman, said the group would only proceed with the project if it met "our exacting investment criteria". The feasibility study will be completed by the end of the year.

C&W is aiming to increase its investment in eastern Europe. It has already started building a telecommunications network for the city of Gdansk in Poland.

● Sprint, the US telecommunications group, yesterday announced that it had formed a joint venture with the Russian Ministry of Communications to build a nationwide data communications network in Russia. Sprint already provides international data communications services from Moscow and St Petersburg.

Taylor Woodrow pulls out of US contracting

By Angus Foster in London

TAYLOR Woodrow, the UK-based property and construction group, yesterday announced it was pulling out of US contracting and made exceptional write-downs of £46.5m ($80m) to cover falls in UK and Spanish property and land values.

Mr Colin Parsons, who took over as chairman following Mr Peter Drew's resignation last month, is to simplify Taylor Woodrow's complicated management. He will lead an executive team of Mr Tony Palmer, chief executive, and Mr David Green, finance director.

The company reported a loss before tax of £2.7m in the year to December 31, against a profit of £83.4m a year ago. Mr Parsons described the performance as "far from satisfactory", and said costs needed pruning. About 600 people have been made redundant, at a cost of about £5m, and more redundancies were expected.

The results continued the disappointing performances and asset write-downs from UK construction and property companies hit by recession.

Taylor Woodrow maintained its final dividend at 7.64p to make an unchanged total of 9.5p. The shares rose 9p to 129p. Mr Parsons defended the decision to hold the dividend, which is uncovered: "It's simply a matter of honour to pay that dividend." Following last year's rights issue, the company's debt/equity ratio improved to 23 per cent, from 30 per cent, on net borrowings of £156m, down from £205.1m.

Turnover fell slightly to £1.39bn from £1.41bn. The order book finished the year at £850m against £1.25bn.

Profits before exceptionals fell to £43.8m from £75.9m. Worst hit was the contracting division with losses of £19.6m, against a profit of £14.1m last time, following provisions of £11.5m on Taylor Woodrow's share of the Channel tunnel, a £13m provision on the Storebaelt bridge contract in Denmark and a £3.8m provision on Euro Disney contracts. In the US, contracting lost £12m before being discontinued.

There was a loss per share of 1.4p, against earnings of 16.2p, adjusted. Losses attributable to shareholders totalled £28.9m, against a £55.6m profit. Combined with a higher dividend charge, due to the rights issue, there was a retained loss of £68.6m, against a £24m profit.

Lex, Page 14

Molex turns in 12% gain in net income

By Barbara Durr in Chicago

MOLEX, the leading US electronic components company, reported solid results in its third quarter, despite generally difficult times in the electronics industry.

For the three months ended March 31, the company's net income was $16.6m, up 12.4 per cent over last year's $14.8m, on revenues of $191.7m, an increase of 8.4 per cent over $176.8m last year.

Earnings per share for the third quarter were 33 cents, an increase of 3 cents from the same period last year.

For the first nine months, Molex's net income edged higher by 1 per cent to $47.9m from $47.4m a year ago. Revenues for the first three quarters were $568m, up 9 per cent from $521.2m last year.

Earnings per share for the first nine months were 96 cents, up just a penny from 1991.

Mr John Krehbiel, chairman, said that the improving business in the US as well as China and other countries in southern Asia outweighed declines stemming from economic problems in Europe, Japan and Korea.

Uni Storebrand details expansion

By Karen Fossli in Oslo

MR Jan Erik Langangen, the president of the Norwegian insurer Uni Storebrand, yesterday gave further details of his planned international expansion programme.

He said that if approval is granted for the newly announced deal with Skandia, Sweden's leading insurance company, he would seek an international partner or raise up to NKr1bn ($155m) in fresh equity before the end of 1993 to expand the group's international reinsurance business.

As part of the deal announced last Thursday, Skandia would acquire Hafnia, the troubled Danish insurer. A new company – Christiania International Insurance – would then be created, combining the international business of Uni Storebrand and non-US reinsurance business of Skandia.

Christiania International would become one of the world's leading reinsurers, the Uni Storebrand president said.

Uni's acquisition of Skandia's non-US reinsurance represents tangible and liquid assets valued at NKr3bn.

Mr Langangen explained that the acquisition also represented an additional NKr1bn in "embedded value" from Skandia's life reinsurance portfolio and from the net present value of investment income related to Skandia's non-US reinsurance business.

Embedded value comprises shareholders' net equity assets and the present value of future surpluses – net of taxes – expected to arise from the existing portfolio of the life insurance business.

According to the terms of the deal, Uni is exchanging 18.2m Skandia shares valued at an estimated Nkr4bn for the Skandia assets which are valued at about the same.

Mr Langangen said all risk attached to business written before June 30 this year would remain with Skandia. "This means that Uni Storebrand has acquired an option for Skandia's non-US reinsurance market positions. Since the financial transaction provides full coverage for the shares, the strategic transaction can be seen as free of charge for Uni Storebrand," he said.

Mr Langangen stressed that the Skandia deal would keep all solvency capital in Uni Storebrand intact and that it had significant strategic value to his company.

As part of Uni Storebrand's strategy to build critical mass, Mr Langangen said that Christiania International will either seek an international partner or seek to raise NKr1bn in fresh capital.

"The timing of this transaction is excellent. After several years of bad results, the cycle of the reinsurance market is now heading upwards. The short and medium-term outlook is therefore particularly good," he said.

Marriott blames static earnings on over supply

By Nikki Tait in New York

MARRIOTT Corporation, the large but indebted hotels group, yesterday reported static first-quarter profits of $11m after-tax ($10m a year ago), and blamed the lack of progress on the continued over supply of space in the domestic market.

Sales during the first quarter totalled $1.95bn ($1.83bn), and Marriott claimed that – once asset sales and some other non-comparable factors were stripped out – underlying operating profits improved by 11 per cent.

It said occupancy rates for comparable units generally rose – with the full-service division showing a three percentage point increase, to the mid-70s. However, average room rates were lower than a year ago in all four lodging segments.

The company also announced that it had completed $200m-worth of asset sales since the end of 1991 – part of programme to bring down debt – and has signed agreements for another $200m scheduled for completion by the summer.

● Polaroid, the photographic products company, reported a slip in first-quarter sales, coupled with a sharper fall in earnings. After-tax profits stood at $6.2m, compared with $16.4m in the same period of 1991, while sales fell by 2 per cent to $431.3m.

Sales in the US were marginally higher, at $205.9m, but international revenues fell to $225.4m. Polaroid, which had already warned of the sales slippage, said that it was hit on the international side by the stronger dollar, and weak economic climates in Europe and Japan.

Operating profits fell from $49.9m to $26.8m.

TENDER NOTICE

UK GOVERNMENT ECU TREASURY NOTES

For tender on 21 April 1992

1. The Bank of England announces the sale by tender on behalf of Her Majesty's Treasury of ECU 500 million nominal of UK Government ECU Treasury Notes. These will add to the ECU 1,000 million nominal of the same security sold at the tender on 21 January 1992. The tender will be held on a bid-yield basis on Tuesday, 21 April 1992.
2. The **ECU 500 million of Notes** to be sold by tender will be dated as of 24 January 1992 and **will mature on 24 January 1995.**
3. Notes bear an annual coupon of 8¼ %, from and including 24 January 1992, payable on 24 January, starting on 24 January 1993. Payment for Notes allotted in the tender will be due on 28 April 1992; the amount payable will include 95 days accrued interest.
4. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Securities Office, Threadneedle Street, London not later than 10.30 a.m., London time, on 21 April 1992.
5. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.
6. Tenders must be made on a yield basis (calculated on the basis of a month of 30 days and a year of 360 days) rounded to two decimal places. Each application form must state the yield bid and the amount tendered for.
7. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Notes in global form to their account with Euroclear or CEDEL, Notes will be credited in the relevant systems against payment. For applicants who have requested definitive Notes, Notes will be available for collection at the Securities Office of the Bank of England after 1.30 p.m. on 28 April 1992 provided cleared funds have been credited to the Bank of England's ECU Treasury Notes Account No. 59045828 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Notes will be available in amounts of ECU 1,000, ECU 10,000, ECU 100,000, and ECU 1,000,000 nominal.
8. Her Majesty's Treasury reserve the right to reject any or part of any tender.
9. The arrangements for the tender are set out in more *detail in the Information* Memorandum on the UK Government ECU Treasury Note programme issued by the Bank of England on behalf of Her Majesty's Treasury on 9 January 1992. All tenders will be subject to the provisions of the Information Memorandum.
10. The Tender Notice issued on 9 January 1992 stated that ECU 400 million nominal of the Notes allotted to the Bank of England for the account of the Exchange Equalisation Account on 24 January 1992 would be retained by the Bank of England with the intention that they would be sold in subsequent tenders. These Notes are to be sold in the tender on 21 April 1992, as part of the total of ECU 500 million nominal to be sold. An additional ECU 150 million nominal of Notes will be issued on 28 April 1992 and will constitute a further tranche of the Notes maturing on 24 January 1995, and will be fully fungible with the Notes issued on 24 January 1992. ECU 50 million nominal of these Notes will be retained by the Bank of England and may be made available for sale and repurchase operations with the market makers listed in the Information Memorandum. The remaining ECU 100 million nominal of these Notes will be offered for tender on 21 April 1992.
11. Copies of the Information Memorandum may be obtained at the Bank of England. UK Government ECU Treasury Notes are issued under the National Loans Act 1968.

Bank of England
14 April 1992

INTERNATIONAL COMPANIES AND FINANCE

AHP posts 15% profits rise in first quarter

By Karen Zagor in New York

A SHARP improvement in first-quarter results from American Home Products, the US pharmaceutical company, prompted active trading in the company's shares.

The New York-based company said net income grew 15 per cent to $406.3m, or $1.29 a share, in the first three months of 1992, compared with $352.5m, or $1.12, a year earlier. Sales advanced 13 per cent to $2bn from $1.76bn.

Sales growth was led by American Home Product's consumer health care business, which saw a 20 per cent increase to $438.8bn. Pharmaceutical sales rose 16 per cent to $1.16bn, while medical supplies and diagnostics were only 2 per cent higher at $197.8m. Food products sales fell 1 per cent in the quarter.

The company said two new drugs - Lodine for osteoarthritis and its Norplant birth control implant - contributed to the strong pharmaceutical sales.

Wall Street reacted enthusiastically to the figures, marking American Home Products shares $3¾ higher to $81½ in active mid-session trading.

● Genentech, a leading US biotechnology company which is controlled by the Swiss group Hoffmann-La Roche, yesterday unveiled first-quarter net earnings of $3.5m, or 3 cents a share, on revenues of $129m, against income of $19.4m, or 17 cents, on sales of $99.5m last year.

The drop in income was attributed to the company's previously announced increase in spending on research and development for 1992.

During the quarter, sales of Genentech's Protropin human growth hormone rose 10.3 per cent to $48.4m. Sales of the company's thrombolytic (clot dissolver) Activase t-PA fell 19.8 per cent to $44.5m, reflecting results of a controversial clinical trial.

Boise Cascade losses deepen

By Nikki Tait

BOISE CASCADE, the US forest products group, remained in the red during the first three months of 1992, reporting an after-tax loss of $42.9m.

This compares with a $16.8m deficit in the same period a year earlier. Sales fell from $992.7m to $953m.

Boise, based in Idaho, blamed "severely depressed prices" for some of its key paper grades for the loss.

It said that prices for most grades of pulp and paper were down on a year ago, while prices for its most important products fell "substantially" from already-depressed fourth quarter levels.

This latter category includes coated and uncoated business and printing papers and newsprint.

Boise Cascade shares fell $1¼ to $20⅞.

Banc One buys Arizona bank in $1.2bn stock deal

By Alan Friedman in New York

BANC ONE, the Ohio-based commercial banking group that has been aggressively expanding through takeovers, yesterday announced the acquisition of Valley National Bank of Arizona in a stock deal worth $1.2bn.

The acquisition of Valley National will increase Banc One's assets by $11bn and make the Ohio institution the dominant bank in the Arizona market.

This, in turn, will place Banc One in direct competition in the state with the Bank of America.

The acquisition, the third by Banc One in the past four months, caused Standard & Poor's, the US rating service, to place about $921m of the bank's debt on credit-watch for a possible downgrade. S&P's concern was mainly about asset quality problems at Valley National.

Banc One said it would seek to "work through the concerns raised by Standard & Poor's".

Banking analysts have generally been less troubled because Banc One is considered an extremely well-run, super-regional institution with strong earnings and a 7.7 per cent common equity-to-assets ratio.

Since the start of 1991 Banc One has made 11 acquisitions, including the $782m purchase last month of Team Bancshares, the sixth largest bank in Texas.

While the US banking system has been licking its wounds as a result of heavy commercial property loan losses, Banc One has more than doubled its assets over the past 15 months, from $30bn to $72bn.

With yesterday's deal, the bank holding company will control 57 separate banks with 1,296 branches in 11 states. Banc One is thus well on its way to becoming one of the most national of US retail banking groups.

Last year Banc One out-performed the US industry with a 25 per cent increase in net profits, to $529.5m. Its success has been based on conservative lending policies and a focus on lucrative business areas in and near the midwest.

Among the bank's other acquisitions last year were First Illinois, together with banks in Indiana, Kentucky and Colorado.

Wall Street marked Banc One's share price $1⅛ lower yesterday, to $45¼.

Ameritech sees rising economy

By Barbara Durr in Chicago

AMERITECH, one of the seven Baby Bells, said its first-quarter results revealed signs that the Midwest's economy was emerging from the national recession.

Its net income for the first quarter was $337m, up 19.1 per cent over last year's $283m. Earnings per share were $1.26 for the three months ended March 31, compared with $1.07 a year ago.

Mr William Weiss, Ameritech's chairman, said the rate of line growth was improving and that customers were using the telephones more.

"We are increasingly optimistic that the Midwest economy is on the mend," he said.

Net income for the first quarter also included $28m, or about 10 cents per share, from interest income on a settlement with the Internal Revenue Service.

Without the IRS settlement's interest, earnings per share were $1.16, or an increase of 8.4 per cent.

Revenues for the quarter rose 2.4 per cent to $2.7bn and the number of customer lines in service increased to 16.7m, or 2 per cent compared with last year.

The number of mobile telephone customers shot up 34.8 per cent to 494,000 over the same period a year ago.

Ameritech had to postpone the release of its quarterly results until yesterday because of flooding in Chicago on Monday, which also forced it to move the venue of its annual meeting to its suburban offices.

Ameritech is the parent company of the Bell companies serving Illinois, Indiana, Michigan, Ohio and Wisconsin.

GTE lifts net income to $427m

By Nikki Tait in New York

GTE, the largest local telephone company in the US, yesterday reported an underlying increase in earnings per share in the three months to end-March.

GTE said total net income was $427m, compared with $201m in the same period a year earlier. However, the first quarter of 1991 bore a one-off charge, totalling $204m at the after-tax level, related to the merger with Contel and the gain on the transfer of certain cellular telephone assets.

Stripping out the effect of this and discontinued operations, GTE calculated a 7 per cent improvement in earnings per share, with sales for the quarter reaching $4.8bn, against $4.7bn a year ago.

GTE said it was pleased with the figures given the economic environment. It added that all business areas showed an improvement, with the telephone and cellular-mobile units faring particularly well.

Revenues on the telephone side rose 1 per cent to $3.8bn, while operating profits were up 6 per cent at more than $1bn.

On the telecommunications products and services side, there was a 7 per cent revenue gain, at $977m, with operating profits up from $18m to $39m.

Cellular revenues were up by 30 per cent at $216m, with 864,000 customers against 638,000 a year ago.

BioChem Pharma plans C$115m public offering

By Robert Gibbens in Montreal

BIOCHEM Pharma, Glaxo's principal partner in Canada, is raising C$115m (US$96.6m) or more in new equity through a public offer in the US and Europe.

The issue, which will total 3.5m shares with a further 525,000 available if demand is sufficient, is being underwritten by Morgan Stanley, Tucker Anthony and Kleinwort Benson. The offer will be made by late May.

BioChem's stock trades in Canada and on NASDAQ in New York, and the company plans a London listing.

It has been the leader in Canada's biotech industry for three years. Its new anti-Aids drug is being clinically tested and development is being funded by Glaxo. Glaxo plans to market the drug internationally when full approvals are received.

● AIR CANADA will reach break-even on operations within eight to 12 months, and plans to sell and lease back three new 747-400s to provide about US$375m cash, Mr Hollis Harris, president, said.

The proceeds will be applied to its C$2.1bn long-term debt, he said. In addition, further cuts in management are planned.

CPC moves ahead 5.8%

By Nikki Tait

CPC International, the US food group which takes in brands such as Hellmann's mayonnaise and Knorr soups, yesterday reported a 5.8 per cent increase in first-quarter after-tax profits to $88.2m.

Sales, however, were little changed at $1.53bn, compared with $1.52bn, and operating profits edged higher to $176.5m from $173.1m.

CPC said its European interests showed sales and profit advances in local currency terms, but exchange rate movements contributed to a 3 per cent fall in dollar sales, and a 13 per cent tumble in dollar operating income.

INTERNATIONAL COMPANIES AND FINANCE

US brokers post record earnings

By Patrick Harverson in New York

THE CLEAREST evidence yet of Wall Street's sparkling first quarter was provided yesterday when three large US securities houses, Merrill Lynch, PaineWebber and Charles Schwab, reported record earnings for the opening three months.

Profits at Merrill Lynch, the largest securities house in the US, rose 53 per cent to $277.5m, at PaineWebber they jumped 135 per cent to $74.3m, and at Charles Schwab, the west coast-based broker, they soared 180 per cent to $29.7m.

The figures show the momentum from late last year, when a big cut in US interest rates lured more individual investors back into stocks, spurred large issues of corporate debt and equity, and lifted share prices, was maintained in the first quarter of this year.

Commission fees from individual investor business, asset management revenues, earnings from stock and bond underwritings and principal trading revenues were all higher over the three months. Expenses, other than performance-related compensation which rose sharply, held relatively steady due to cost containment measures.

Merrill Lynch fully capitalised on its position as the country's biggest retail stockbroker and the world's busiest corporate debt and equity underwriter during the quarter.

Total revenues for the period increased 9 per cent to a record $3.4bn. Revenues from investment banking were $361m, principal transactions, $574m; commissions, $685m; while asset management and custodial business registered $220m.

Although non-interest expenses at Merrill Lynch climbed 14 per cent in the quarter to $1.7bn, the increase was due primarily to a rise in costs related to business activity, profitability and compensation.

At PaineWebber, revenues increased 39 per cent to a record $658.7m with its core businesses – retail sales and marketing, capital markets, asset management and investment banking – each recording significant improvements in earnings.

The biggest increase was in PaineWebber's investment banking revenues, which more than doubled to $97.9m.

San Francisco-based broker Charles Schwab saw its first-quarter earnings leap 180 per cent to a record $29.7m, based on revenues of $219.9m.

Big increases were reported throughout the company's business. Commission revenues rose 62 per cent to $137.3m, assets in client accounts increased 40 per cent to a record $51bn, and average daily trading activity gained 47 per cent.

Analysts believe the securities industry will be unable to maintain the first-quarter pace of earnings growth throughout the rest of the year.

US interest rates are unlikely to fall much further, the rate of new corporate debt and equity issues has slowed, and stock prices have remained stuck in a narrow trading range.

The companies' shares improved in early trading on the New York Stock Exchange yesterday. Merrill rose $⅞ to $51⅞, PaineWebber climbed $1 to $21¼ and Charles Schwab added $⅞ at $30.

Alcoa down to $76m in first quarter

By Barbara Durr in Chicago

ALCOA, the world's largest producer of aluminium, suffered a drop in profits and revenue in the first quarter. It reported a decline in the quarter's earnings to $76m, or 89 cents per share, from $97m, or $1.14 per share, last year.

Revenues were $2.3bn, down 7 per cent, from $2.4bn in the first quarter of 1991.

Although shipments increased to 666,000 metric tons from 648,000 metric tons a year ago, the first-quarter earnings decline reflects lower prices for alumina, ingot and most fabricated aluminium products.

Alcoa said markets this year were not expected to improve until aluminium from the former Soviet Union, which went to exports last year, was redirected to internal uses and western economies improved.

First-quarter results included $8m, or 10 cents per share, from the sale of investments in Venezuela. The comparative quarter in 1991 included exchange and other adjustments of $10.2m, or 12 cents per share, related to operations in Norway.

Return on shareholders' equity dropped to 6.1 per cent during the first quarter, compared with 7.5 per cent last year. But the company said that, excluding special charges in the fourth quarter of 1991, the first-quarter results were better than those of the preceding period.

Alcoa said its effective tax rate for this year would be lower than in 1991, before special charges, due largely to favourable settlements of prior years' taxes by Alcoa Aluminio in Brazil and tax law changes in Norway.

The company's earnings in 1991 fell 79 per cent to $62.7m as the price for aluminium plunged to approximately 50 cents per pound, its lowest in real terms.

Sales fall 29% at LA Gear

By Karen Zagor in New York

L.A. GEAR, the embattled US athletic shoe and apparel maker, is once more in technical default of its bank credit facilities after posting a first-quarter loss.

In the first three months of 1992, the company suffered a loss from continuing operations of $6.3m or 32 cents a share, against a loss of $11.1m or 56 cents a year earlier.

The net loss in the latest quarter was $8.2m or 42 cents, compared with $12.5m or 63 cents in the 1991 quarter, which included a loss of $1.4m or 7 cents from discontinued operations.

Net sales fell 29.5 per cent to $109.6m from $155.3m a year ago.

Mr Mark Goldston, chief operating officer, blamed the falling sales on a drop in the number of shoes sold worldwide and lower average selling prices.

"A substantial part of the volume decrease occurred in the domestic market as a result of increased competition and continued weak demand from department store and athletic footwear store customers," he added.

L.A. Gear has been in the throes of reorganisation since it posted its first loss in the fourth quarter of 1990.

Last May, the company had agreed to sell a 30 per cent stake to Trefoil Capital Investors, a fund led by Mr Roy Disney, nephew of the late Walt Disney and vice-chairman of the entertainment company.

Trefoil is believed to have pressed for the resignation of Mr Robert Greenberg, L.A. Gear's founder, chairman and chief executive, who was replaced earlier this year by Mr Stanley Gold, Trefoil's managing director.

Trefoil's role in L.A. Gear is expected to increase as a result of the latest default.

The company said it did not expect to be able to satisfy the conditions attached to the payment of preferred stock dividends at any time during fiscal 1992.

As a result, Trefoil would have the right to elect additional directors and would have the exclusive right to elect a majority of the company's board of directors at the end of August.

On Wall Street, shares in L.A. Gear fell $¾ to $13 yesterday morning.

NY Times doubles profits

By Alan Friedman in New York

A RECOVERY in advertising revenue and lower newsprint costs helped The New York Times to more than double net profits to $13.9m in the first three months of 1992.

The profits rise, which translates into earnings of 18 cents per share, against 7 cents in the first quarter of 1991, was struck on revenues of $440.4m, up by 5.6 per cent.

The company attributed the much higher 1992 advertising revenues in its newspaper and magazine divisions partly to the weakness experienced during the opening months of last year, when advertising in US media was generally depressed by the mood associated with the war against Iraq.

Increased advertising rates also helped revenues.

The flagship New York Times, together with 32 regional papers and a 50 per cent stake in the International Herald Tribune, turned in an operating profit of $32.2m in the first quarter, up sharply from $18.6m in the first quarter of 1991.

The group's magazines division made an operating profit of just under $2m in the first quarter of 1992, compared with a $2.4m loss in the same period last year.

The broadcasting and information services division of the group benefited from higher advertising revenues and achieved operating income of $2.9m in the opening quarter of 1992, against $2m a year ago.

Net interest expenses declined to $6.5m in the first quarter, from $7.9m for the same period a year ago.

GE improves 6% to $1.06bn

By Karen Zagor

GENERAL Electric, the US group whose interests range from power systems to financial services, unveiled a 6 per cent rise in first-quarter net earnings, to $1.06bn from $999m a year earlier.

Earnings per share advanced 7 per cent to $1.23 from $1.15, reflecting a five-year $10bn share repurchase programme. Revenues grew 2 per cent to $13.5bn from $13.3bn.

Mr Jack Welch, chairman, said the company expected good results in 1992 in spite of the continued fragility of the global economy. He cited an upturn in US short-cycle order trends, continued productivity and improvements in cash generation.

Mr Welch said the company's power systems, medical systems and financial services operations had contributed to the improvement in the first quarter. GE's NBC broadcasting operations also recorded better first-quarter results.

However, the recession's impact on short-cycle, high-margin business was reflected in a decline in operating margins, to 11.7 per cent in the quarter from 12.1 per cent.

Sharply higher underwriting and retail investor activity at Kidder Peabody, its stockbroking arm, also contributed to the improvement.

First-quarter operating profits fell in GE's aircraft engines, aerospace, appliances and materials businesses. In addition, the group's industrial operating profit was much lower, reflecting a drop in first-quarter locomotive shipments and continuing recessionary pressure on electrical distribution and control.

Alcoa of Australia drops 41%

By Kevin Brown in Sydney

ALCOA of Australia yesterday blamed depressed metal prices for a 41 per cent reduction in net profits to A$64m (US$49.2m) for the first quarter to end March. Sales revenue was down 27 per cent to A$478m.

The company said aluminium prices on the London Metal Exchange rose by US$122 per tonne to an average of US$1,266 during the quarter, well down on the average price of US$1,537 during the first quarter of the previous year.

Mr Robert Sleagle, managing director, said there had been some improvement in the company's US and European order books, and noted that metal inventories in the hands of producers had fallen in March for the first time in many months.

Mr Sleagle said the industry was "still bouncing along the bottom". He said the company's first-quarter profit was adequate in the circumstances.

The directors said conditions in the industry were particularly difficult, and forecast that it would be some time before conditions improved. As a result, full-year profits would be below last year's level.

Alcoa paid a first-quarter dividend of A$60m in March, compared with A$100m in the first quarter of the previous year. It paid A$400m last year, but is unlikely to match that in the current year.

Alcoa of Australia is 51 per cent owned by the Aluminium Company of America, and 48.25 per cent by Western Mining Corporation, the Australian resources group. The balance is owned by QBE Insurance.

Sweet scent of success in L'Oréal's figures

Alice Rawsthorn examines the French cosmetics company's 19.7% rise in profits

L'OREAL yesterday announced a 19.7 per cent increase in net profits to FFr2.02bn ($363m) in 1991, from FFr1.69bn in 1990.

The result was achieved despite "a rather gloomy economic climate" which was "undeniably affected by the Gulf war" and a "significant slowdown in consumer spending in some major countries", the company said.

L'Oréal, which operates worldwide with a number of well-known cosmetics and haircare brands including Lancôme skin products, Giorgio Armani fragrances and Helena Rubinstein make-up, experienced sales growth of 10.2 per cent to FFr33.44bn from FFr30.36bn.

Earnings per share rose by 19.7 per cent to FFr34.7 from FFr29. The board proposed raising the dividend by 20 per cent to FFr8.4, from FFr7 a share.

The cosmetics division, which invested heavily last year in the relaunch of the Helena Rubinstein business acquired three years ago, saw sales rise by 11.6 per cent to FFr29.51bn from FFr26.45bn. Mr Owen-Jones said the response to the Rubinstein relaunch had been "extremely thrilling".

The weakest area was perfume and beauty, where L'Oréal, like its competitors, was affected by the problems of the luxury goods market, which has suffered from the recession in the US and the slowdown in Japan. L'Oréal also lost FFr60m on its investment in Lanvin, the Paris fashion house now being relaunched in a joint venture with the Recamier family.

L'Oréal plans to launch a new Armani women's scent this year and a male version of its Paloma fragrance. Synthelabo, the pharmaceutical division, recently expanded with the acquisition of two laboratories in France.

TOP 10 COSMETICS GROUPS*

	1991	1990
L'Oreal	6.6	6.2
Unilever	4.1	3.8
Procter & Gamble§	4.1	3.9
Shiseido	3.3	2.8
Avon	2.5	2.3
E.Lauder	2.0	1.9
Revlon†	1.8	1.8
Wella	1.6	1.5
Kao	1.6	1.4
Sanofi	1.5	1.4

*Sales $bn. § Including Max Factor and Ellen Betrix. † Excluding Max Factor and Ellen Betrix. Source: L'Oreal

Every L'Oréal executive is a "professional worrier" according to Mr Lindsay Owen-Jones, the chairman.

This time last year he and his colleagues looked as though they had a lot to worry about. The world's largest cosmetics company not only faced the short-term pressures of the economic slowdown and the upheaval of the Gulf war, but the *longer term threat of fierce* competition from powerful companies such as Procter & Gamble, Unilever, Kao and Shiseido which were all expanding within cosmetics.

Despite this L'Oréal has emerged unscathed. Yesterday it reported a 19.7 per cent increase in net profits for 1991 on sales which rose by 10.2 per cent.

Mr Owen-Jones sees this achievement as a vindication of the aggressive strategy L'Oréal has pursued since he became chairman almost five *years ago*. Something of an anomaly in the French business world, at 46 he is much younger than most of his counterparts. *And, as a Welshman,* he is one of the very few foreigners to have broken into the nepotistic ranks of France's top industrialists.

When he became chairman of L'Oréal, with its 80-year history, it was established as a bastion of French industry and as a powerful player in the global cosmetics market. It has since become markedly more aggressive through a combination of rigorous cost control – *the number of employees has* risen by 1 per cent during five years of average annual sales growth of 12 per cent – and *increased investment in* research and marketing.

"For the past five years we have had very tight cost con*trol in all areas,*" said Mr Owen-Jones. "That has not only helped us to improve short-term profits but has enabled us to increase our long-term investment in *research and advertising.*"

Research has always been central to L'Oréal, which has historically devoted 3 per cent *of sales – twice the cosmetics* industry average – to it. That proportion has risen under Mr Owen-Jones to reach 3.2 per *cent last year.*

Mr Owen-Jones has also stepped up L'Oréal's investment in marketing to increase market share, thereby making the most of the economies of *scale inherent in the capital* intensive cosmetics industry. Trésor, the new Lancôme fragrance, has been lavishly pro*moted since its launch two* years ago and is now one of the world's top five perfumes.

The pressure on L'Oréal's research and marketing bud*gets seems set to intensify in* the future. The level of legislative intervention in the cosmetics industry is increasing. Moreover L'Oréal's new competitors, notably P&G and Unilever, have historically been more aggressive in both research and marketing.

Mr Owen-Jones claims the impact of P&G and Unilever's expansion has been exaggerated. "There is a well-en*trenched myth that this* industry has not been competitive in the past," he said. "There has always been strong competition. It is just that the names of the competitors have changed."

But most observers are convinced that the level of competition in cosmetics is increasing thanks to the larger scale and professional management style of the new players.

L'Oréal has been expanding - so far with mixed results. L'Oréal, which has no debt, is clearly in a position to make further acquisitions or investments, should suitable opportunities arise.

In the meantime Mr Owen-*Jones sees its biggest challenge* as proving that "being a big company does not mean you can not be innovative. This is an industry where things change very, very quickly. It is all about six people sitting around a table and saying 'Let's do it'."

Yamaichi Securities names new president

By Emiko Terazono in Tokyo

YAMAICHI Securities, one of Japan's big four brokers, yesterday appointed Mr Atsuo *Miki, 56, to become its president* in June this year.

The move comes at a time when Japanese securities houses have not been able to restore their marred images from last year's stock scandals, and face faltering profits due to the ongoing slump in the stock market.

Yamaichi is the only member of the big four – Nomura Securities, Daiwa Securities, Nikko Securities and Yamaichi – to project a pre-tax earnings loss, the first since the company was restructured in the *1960s during a stock market* crisis. The company expects a pre-tax loss of Y34bn ($255m) and a net loss of Y52bn.

Mr *Miki, currently vice-pres*ident of Yamaichi, will replace Mr Tsugio Yukihira, who will become chairman. With Yamaichi's shift in management, all of the presidents of the big four have been replaced within the past year.

Mr Miki said he intends to place special focus on staff education and retail business to overcome current difficulties.

Moody's lowers rating on $7.5bn of Nissan debt

By Steven Butler in Tokyo

THE FINANCIAL troubles of Nissan Motor, Japan's second largest vehicle maker, were *yesterday* underscored when Moody's Investor Service, the US rating agency, lowered its credit rating for $7.5bn of Nissan debt.

Moody's said it expected Nissan's operating returns and other financial measures would remain under pressure in the medium term. The downgrading amounted to a conclusion that Nissan's corporate strategy for the past five years – which included heavy spending to improve the product line-up – had failed to deliver any financial benefits to the company.

Although Nissan has managed in Japan to polish its stodgy image among consum*ers by launching a series of* radically styled cars, other car companies have followed a similar strategy and have neutralised any potential benefit for Nissan. As a result its market share stopped declining in Japan about five years ago, but has not improved.

Moody's said it did "not expect Nissan to significantly strengthen its market position in the coming years. As a result, Nissan's profitability and cash generating ability, *which have been pressured by* soft market conditions, are likely to remain depressed during the intermediate term."

Moody's said Nissan's aggressive research and development and capital investment have led to increased levels of debt. Nissan's capital structure could be weakened further should the spending continue, unless Nissan finds a way to improve cash generation.

Nissan none the less had strong balance sheet liquidity, with cash and short-term investments of over Y800bn *($6bn), and large unrealised* gains on its short-term investment portfolio. As a result of these considerations, Moody's lowered Nissan's *long-term* debt rating from A1 to A2.

Tadiran returns to profit for first year since 1986

By Hugh Carnegy in Jerusalem

TADIRAN, a leading Israeli electronics company preparing for a $110m stock offering in New York later this year, yesterday announced a net profit *of $30.2m in 1991*, its first profit since 1986 when it lapsed into a prolonged financial crisis.

The slump at Tadiran, which *hit bottom with a $145m loss in* 1989, was an important factor in the parallel debt crisis at its parent, Koor Industries, the big trade *union-affiliated* conglomerate which was rescued from collapse by a restructuring and write-off deal with its creditors *last year.*

Tadiran is now reaping the benefit of its expensive restructuring programme, *which accounted for most of its* losses in the past three years. Although total sales were down from $800m in 1990 to $726m last year, the company said the underlying trend was ahead after the disposal of subsidiaries was taken into account.

Half of sales were overseas, while products for civilian use accounted for 56 per cent, reflecting the shift away from Tadiran's traditional reliance on the military sector.

The workforce was trimmed to 6,710 employees, down from more than 8,000 two years ago. Sales per employee rose to $106,000, compared with $96,000 in *1990.*

Bank debt was down by $74m to $171m.

Koor intends to capitalise on *Tadiran's recovery by floating* about one third of its stock on one of the New York markets where a select band of Israeli *high-tech stocks have* performed strongly recently.

Merrill Lynch has been appointed as lead underwriter.

AMP Society lifts net income to NZ$107.8m

AMP Society New Zealand, the country's largest insurance company, yesterday reported net income of NZ$107.8m (US$58m) for 1991 against NZ$22.1m a year earlier, Reuter reports from Wellington.

AMP said the net value of its assets rose by NZ$105.5m against a fall of NZ$433.9m in 1990.

The group, with more than NZ$5bn of funds under management, is confident about 1992. "We believe we have seen the worst of the recession if not the last," said Mr Graham Lewis, chief executive.

"We are looking ahead with confidence and optimism."

Japan Tobacco enters the overseas market

By Steven Butler in Tokyo

JAPAN Tobacco, the Japanese tobacco monopoly, has made its first international acquisition with the purchase of The Manchester Tobacco Company, a small British cigarette maker whose Kings and Regatta brands account for about 1 per cent of the UK market.

Japan Tobacco is about 135 times bigger than Manchester, with 1990 sales of Y2,701.8bn ($20.27bn) against about £89m ($153m) for the British company last year.

It is putting £5m into the acquisition, including the purchase of equity and a commitment to buy new equipment to improve the quality of the operation. Mr Fursa Hogan, Manchester Tobacco chairman, will stay on as managing director.

Although Japan Tobacco says its long-term strategy is to expand internationally, this initial acquisition appears more like a test of the waters rather than the opening gambit of a big expansion strategy. About 3.5 per cent of Japan Tobacco's production is exported.

The company said yesterday it had no plans to expand the Manchester business, to increase exports, or to use the company to channel imports of Japan Tobacco's best-selling Mild Seven brand.

The Japanese government plans a public offering of Japan Tobacco shares later this year, although nothing concrete has been announced.

The structure of Japan Tobacco was changed from a government bureau to a joint stock company in 1985, after which its financial performance has improved considerably. The company reported profits of Y93.2bn, up 88 per cent since the change in structure. Inventories of tobacco leaves have also fallen sharply following a programme to reduce acreage.

The Japanese cigarette market has expanded in recent years after earlier declines. In the six months to last September sales grew by 2.5 per cent, compared with a year earlier, to 167bn cigarettes.

Imported cigarette sales have grown more quickly than domestic brands, and now account for about 16 per cent of the market.

The company has diversified into a wide range of fields and has an extensive research programme. Its research scientists recently discovered a chemical substance that stimulates the portion of the brain that causes the sensation of hunger.

The company has suggested that the substance may be used to treat anorexia nervosa, and is already being used to fatten up geese to obtain livers used to make pâté de foie gras.

Panguna mine to remain shut for some time

THE PANGUNA copper mine on Bougainville island in Papua New Guinea is likely to remain closed for some time, *Bougainville Copper said after* the annual meeting in Port Moresby yesterday, writes Kevin Brown in Sydney.

Bougainville Copper, which is 53 per cent owned by CRA, the Australian resources group, said studies indicated *the mine would cost up to kina* 450m ($470m) to reopen.

Panguna has been closed since it was attacked in 1990 *by pro-independence guerrillas* of the Bougainville Revolutionary Army, which is fighting for secession.

Gilts shrug off production figures to continue rise

By Simon London in London and Patrick Harverson in New York

UK GOVERNMENT bonds *shrugged off industrial price* and production figures released yesterday which suggested that inflation and output may be recovering more *sharply than anticipated.*

The benchmark 9.75 per cent gilt maturing 2002 opened at 104.00 and rose to 104$\frac{3}{32}$ by the close for a yield of 9.11 per cent. At the close on Monday the benchmark stood at 103$\frac{27}{32}$.

The June gilt futures contract on Liffe, the London futures exchange, *closed at* 99.07, from 98.18 at the opening. Volume was 39,500 contracts.

Manufacturing output rose by 1.1 per cent during February, after recording a 0.6 per cent decline in January. Most analysts had anticipated a zero *rate of growth.*

Factory gate prices rose 0.8 per cent in March, from *0.3* per cent during February, for a year-on-year rate of 4.5 per cent – the first rise in factory gate prices since last October.

Market-makers were yesterday revising forecasts to take *account of a slower fall in* underlying inflation. For example, Warburg Securities is now *forecasting "core" UK inflation* of 4 per cent by the end of this year, compared with a previous forecast of 3.7 per cent.

However, the data had little *negative impact on gilts.* The market was supported by positive sentiment following the Conservative election victory, and an improvement in the German government bond market during the afternoon.

■ GERMAN government bonds recovered from a gloomy start to close slightly higher on the day, following news that an *immediate political crisis in* Russia had been averted.

During early trading, sentiment was depressed by the prospect of domestic strike action by 2.3m public sector workers. Late on Monday, the public sector union walked out of pay negotiations with employers and will now ballot members on industrial action. *The union has claimed an* average 9 per cent pay increase, *with the employers only willing* to offer 4.8 per cent.

The benchmark 8 per cent Unity bond maturing 2002 fell to 100.54 in the morning session, from 100.60 at the close on Monday. However, senti*ment improved* later as news filtered through that the gov*ernment of Boris Yeltsin* had won additional powers to pursue economic reform.

GOVERNMENT BONDS

The benchmark bond closed higher on the day at 100.66, for a yield of 7.89 per cent. The bund futures contract on Liffe opened at 88.06 but slipped to *87.89 during early trading. It* recovered through the afternoon to close at 88.08.

Money market conditions remain tight, suggesting little *room for an easing of monetary* conditions. Despite an injection *of funds yesterday under sec*tion 17 of the Bundesbank Act, which allows the central bank to transfer to the banking system cash held on deposit for public sector institutions, short money rates rose slightly.

Overnight call money traded just below the 9.75 per cent *Lombard Rate*, the Bundesbank's emergency funding rate *for financial institutions.*

■ *US* Treasury prices *fell* slightly, despite retail sales data which provided evidence of continued sluggishness in economic activity.

In late trading, the benchmark 30-year government bond *was down* $\frac{1}{4}$ *at* 101$\frac{15}{32}$, yielding *7.865 per cent*. The two-year note was also lower, down $\frac{1}{16}$ at *101$\frac{1}{16}$, yielding 5.121 per* cent.

For the second consecutive day, trading was subdued by the closure due to flooding of the *Chicago Board of Trade*, which trades the main Treasury bond futures contracts. This helped explain the lack of reaction to the news that *March retail sales* fell 0.4 per cent, a figure that might nor*mally boost bond prices. The* decline in sales, however, had been expected and already discounted in prices.

In the credit markets, the *Federal Reserve completed a* round of two-day system repurchases, with Fed funds *trading* at 3$\frac{15}{16}$ per cent. Although the repos were not anticipated, analysts said the intervention did not suggest that the Fed was easing monetary policy again. Last week the Fed signalled it wanted the Fed funds rate at 3¾ per cent.

■ JAPANESE government bonds were supported by the authorities overnight in Tokyo but failed to sustain a rally, with sentiment dominated by concern over the wider health of the financial system.

The benchmark 10-year gov*ernment bond issue No 129* closed on a yield of *5.46* per cent, slightly better than 5.495 per cent on Monday.

The Ministry of Finance supported the market for the fourth time since the end of last week, offering *to buy up to Y50bn of government* issues Nos 129, 126 and 119. It is not known how many bonds were bought in under the offer.

*However, against the back*ground of a weak stock market, both cash and bond futures slipped. The June 10-year bond future fell to 101.53, from 101.61 on Monday, as the Nikkei stock market index fell below *17,000. The futures contract later* recovered ground to finish at 101.64.

Traders expected the market *to remain within tight ranges* until the outlook for interest rates and the financial system is clearer.

Yesterday, inflation data for *March showed domestic whole*sale price inflation running at a negative rate of *0.8* per cent year on year, from a negative 0.6 per cent in February.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	101.1011	-0.456	9.83	9.76	10.04
BELGIUM		9.000	05/01	101.5500	-	8.74	8.76	8.72
CANADA *		8.500	04/02	99.1800	+0.200	8.63	8.80	9.16
DENMARK		9.000	11/00	100.9200	-0.080	8.82	8.84	8.68
FRANCE	BTAN	8.500	03/97	98.7150	-0.153	8.82	8.85	8.81
	OAT	8.500	11/02	98.9500	+0.050	8.64	8.64	8.58
GERMANY		8.000	01/02	100.6400	-0.030	7.89	7.92	7.94
ITALY		12.000	02/02	98.3700	+0.100	12.26†	12.40	12.15
JAPAN	No 119	4.800	06/99	94.8850	+0.103	5.81	5.93	5.80
	No 129	6.400	03/00	105.1456	+0.086	5.47	5.66	5.43
NETHERLANDS		8.250	02/02	99.8400	-0.020	8.26	8.30	8.28
SPAIN		11.300	01/02	102.7200	+0.040	10.81	10.92	10.82
UK GILTS		10.000	11/96	102-10	+3/32	9.37	10.27	9.94
		9.750	08/02	104-03	+5/32	9.13	9.91	9.77
		9.000	10/08	99-29	+3/32	9.01	9.66	9.54
US TREASURY *		7.500	11/01	101-05	-3/32	7.33	7.40	7.67
		8.000	11/21	101-15	-3/32	7.87	8.07	8.07

London closing, *denotes New York closing. Yields: Local market standard
† Gross (including witholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. *Technical Data/ATLAS Price Sources*

French brokers incur losses of FFr600m in 1991

By Alice Rawsthorn in Paris

FRANCE'S stockbrokers experienced *yet* another year of heavy losses in 1991 because of low turnover and *intense* competition, according to the Association Française des Sociétés de la Bourse.

The latest figures from the *AFSB suggest that the* 55 French stockbroking firms made collective losses of FFr600m ($107.14m) last year. This represents a slight improvement on the total losses of FFr666m in 1990.

All *but a handful of France's* stockbrokers, most of which are owned by the *big French* banks or by foreign securities groups, are losing money. Even the few profitable firms faced a difficult year in 1991.

Cholet Dupont, for instance, the subsidiary of the Crédit *Lyonnais banking group, gen*erally seen as one of the most successful players on the Paris stock market, disclosed last week that its net profits had fallen to FFr34m in 1991, from FFr51m in 1990.

One problem of the French stock markets is poor liquidity. The power of the state – which continues to control *large chunks of French* industry and also the pension and savings system – *means there* is not only a shortage of tradable equity, but also *of private sector* investment.

The market is also weakened by the *large number of broking* firms chasing the limited pool of business. A number of *heavily* loss-making brokers are supported by powerful parent *companies, notably* the French banks, thereby weakening the whole *industry*.

Last year, the French brokers were spared any debacles *as* serious as the collapse of Tuffier, one of the most prominent *Paris brokers*, in 1990. However, many firms were forced to cut costs and *shed* staff in an attempt to stem losses. There were 480 job losses in French broking, as the workforce fell from 5,340 to 4,860.

The outlook seems a little *brighter, given that the French* government's plans to sell off minority stakes in some *state* companies and to reform the pension system should help to alleviate the liquidity problem. The AFSB also advocates the *abolition of the tax on share* dealings.

Cool reception for Austrian offering amid heavy C$ issuance

By Tracy Corrigan

A BATCH of new issues in Canadian dollars dominated activity in the Eurobond market yesterday. Also, two more UK companies tapped the sterling market, *still buoyant after* last week's election win for the Conservative party.

The three Canadian dollar Eurobonds, totalling C$525m, met a mixed reception. A C$250m 10-year offering for the **Republic of Austria** *was widely* criticised for its aggressive pricing. The bonds, launched by Paribas, were priced to yield 30 basis points above the 10-year Canadian government bond, *as* much as 10 basis points too tight, according to *dealers*. The proceeds were swapped into floating-rate yen.

There is little outstanding 10-year paper in the sector, making the deal more difficult to price. Paribas also pointed out *that Austria had no outstand*ing paper in the Canadian dollar sector, adding some rarity value to the transaction.

But the deal suffered by comparison with another 10-year offering, by the **Municipality of** *Toronto. The C$125m deal via* RBC Dominion Securities was priced to yield 87 basis points above the 10-year Canadian government bond. The deal *met strong demand from Euro*pean fund managers, and was *sold out by the end of the day.*

However, **Ontario-Hydro's** global offering of 10-year bonds is currently trading at 90 basis points over the curve, and it would *have* been difficult to price Toronto far inside that spread, traders said.

The half-point yield differential between Toronto and Austria, both triple-A rated, highlighted the aggressive pricing of the latter. *Nevertheless,* Paribas said the deal had met

INTERNATIONAL BONDS

reasonable demand to close 99.72 bid, just below its fixed *reoffer level of 99.78.*

Also in the sector, **Mobil Oil** Canada launched a C$150m five-year deal via Goldman Sachs, priced at 62 basis points above the Canadian government bond yield curve. The *deal is expected to take a while* to place, since it is aimed at retail as well as institutional investors.

In the sterling sector, **John** Lewis launched a £100m six-year deal via NatWest Capital *Markets. It* met strong demand from UK investors, who are familiar with the credit and therefore not deterred by the lack of an official rating. The *deal was priced at 79 basis* points above the 9¾ per cent *gilt due 1998. The proceeds of* the issue will be used to refinance borrowings under a multiple option facility which matures in the following year.

A £125m long-dated issue for **P&O** arranged by Barclays de *Zoete Wedd also met demand* mainly from UK institutions.

For both companies, the rally in the gilts market following the election brought their funding target levels within reach. A number of other UK companies are also eyeing the market, as absolute funding *levels fall. However, unattrac*tive swap rates are likely to *continue to deter non-sterling* based borrowers.

Meanwhile, a $100m convertible bond offering for Korea's Samsung Electronics met a less than enthusiastic reception. The poor performance of *east Asian stock markets* deterred investors.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Takiron Co(a)ɸ	65	3⅝	100	1996	2¼/1½	Daiwa Europe
Sanbra Intl Fin.II Ltd(b)†	50	10	96.641	1995	1	Merrill Lynch Intl.
Banco Do Brasil(d)†	200	9½	99.83	1995	1¼	Crdt.Suisse Fst.Boston
Samsung Electronics(e)§	*100*	*3½-3¾*	*100*	*2007*	*2½*	*Merrill Lynch Intl.*
FRENCH FRANCS						
France Telecom(a)†	500	9	100.82	1999	-	Credit Comm.De France
STERLING						
John Lewis Plc.(a)†	100	10⅜	101.578	1998	1⅞/1.55	Nat.West.Cap.Mkts.
P&O(c)†	125	11½	101.54	2014	⅝	BZW
CANADIAN DOLLARS						
Republic of Austria(a)†	250	9⅛	101.46	2002	2/1.85	Paribas Cap.Mkts.
The Mun.of Metro.Toronto(a)†	125	9⅝	100.725	2002	2/1⅝	RBC Dominion Secs.
Mobil Oil Canada(a)†	150	9	101.275	1997	1.875/1.575	Goldman Sachs Intl.

**Private placement. §Convertible. ɸWith equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Backed by an export contract with Bunge; A Swiss importer. c) Fungible with existing £100m bond. Non-callable. d) Coupon payable *Semi-annually. Non-callable.* e) Subordinated bond. Put option after 5 years to yield 50-75 basis points above the comparable US Treasury. Call option years 2-5 at par, if stock exceeds 150% of conversion price.

Moody's warns on top two Norwegian banks

By Karen Fossli in Oslo

CHRISTIANIA Bank and Den norske Bank (DnB), Norway's two biggest banks, were not likely to break even in 1992, according to a report by Moody's Investor Services, the US-based debt rating company.

Last year Christiania was acquired by the government when its share capital was wiped out. DnB also received a massive *state* cash injection, but is still at risk to a government takeover because of high losses.

Moody's says although the government's measures would be vital in sustaining the banks' debt ratings, *in the near* term they did not insure that Christiania and DnB would *"find it easy to bolster basic* financial fundamentals and begin to restore equity".

Christiania has senior debt obligations rated A3 by Moody's and DnB senior at A2.

Last year Christiania suffered net losses of *NKr9.17bn* ($1.4bn) against NKr1.85bn. Credit losses more than doubled to NKr5.99bn from NKr2.68bn.

DnB saw net losses swell three-fold to NKr4.32bn, as *credit losses ballooned by* NKr1.77bn to NKr5.58bn.

To qualify for state support, both banks agreed to seek a break-even result, after credit losses, in 1992. *They are also* subject to more regulation.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on April 14

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94¼	95¼		9.65
[illegible]					

DEUTSCHE MARK STRAIGHTS [illegible]

FLOATING RATE NOTES [illegible]

SWISS FRANC STRAIGHTS [illegible]

CONVERTIBLE BONDS [illegible]

YEN STRAIGHTS [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn = The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	38	23	17
Other Fixed Interest	4	12	1
Commercial, Industrial	457	175	831
Financial & Property	163	99	530
Oil & Gas	21	16	51
Plantations	0	2	7
Mines	23	43	81
Others	57	34	57
Totals	763	404	1,575

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Am't Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
12	Nil	28/4	½pm	½pm	Addison Consultancy	½pm	
605	Nil	8/5	161pm	64pm	Bowater	161pm	+16
85	Nil	21/4	13pm	1¼pm	Courtney, Pope	1¼pm	
98	Nil	–	14pm	12½pm	JLI Group	14pm	+1½
36	Nil	–	4pm	4pm	Kynoch (G & G)	4pm	
40	Nil	–	1¼pm	¼pm	PFG Hodgson	¼pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. v Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. ¶ Reintroduction. ‡ Unlisted securities market. ‡ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings April 13
- Last Dealings May 1
- Last Declarations July 23
- For settlement August 3

3-month call rate indications are shown on this page.

Calls in ASDA, Aviva Pet., British Telecom partly-paid shares, Bimec Inds., Cabra Ests., Hartstone, Hunterprint, P & P, Premier Cons., SEET and Trafalgar House. Put in J. Mowlem. Put and call in ASDA.

LONDON TRADED OPTIONS

Option	Calls			Puts		
[illegible]						

FT-SE INDEX [illegible]

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Charter Cons.	37	Ladbroke	17	Sears	8	■ OILS	
Allied-Lyons	49	Comm Union	32	Legal & Gen	27	SmKl Bchm A	65	Aviva Pet	30
Amstrad	5½	Courtaulds	39	Lex Service	16	TI	48	BP	21
Astec (BSR)	3	Eurotunnel	34	Lloyds Bank	29	TSB	9½	Burmah Castrol	38
BAT Inds	50	FKI	5½	Lonrho	15	Tesco	19	Conroy Pet	8
BOC	49	FNFC	8	Lucas Inds	10½	Thorn EMI	58	Gaelic Res	½
BTR	32	Forte	18	Marks Spencer	24	T & N	11½	Premier Cons	2½
Barclays	30	GKN	26	Midland Bank	19	Unilever	70	Shell	33
Blue Circle	20	Gen Accident	31	NatWest Bank	23	Vickers	12	Tuskar Res	½
Boots	33	GEC	15	P & O Dfd	30	Wellcome	72	■ MINES	
Bowater	58	Glaxo	59	Racal Elect	5	■ PROPERTY		RTZ	42
Brit Aerospace	30	Grand Met	70	RHM	18	Brit Land	18		
British Steel	6	GRE	10	Rank Org	62	Land Sec.	32		
Brit Telecom	24	Hanson	16	Ratners	3	MEPC	26		
Cadburys	33	ICI	90	Reed Intl	39	Mountleigh	1½		

Squeeze on margins and higher interest charges behind the fall

RMC declines further to £167m

By Maggie Urry

FALLING DEMAND for ready-mixed concrete in the UK hit RMC Group's profits for the second year running, with the pre-tax figure of £167m in 1991 down from £216m in 1990 and £248m in 1989.

However, the group proposes a slightly higher final dividend of 13.4p to give a total of 20p (19.3p). The dividend is covered 1.8 times by earnings per share of 36p (57.9p).

The shares rose 22p in response to 606p.

Last September when the group reported interim results, Mr Jim Owen, managing director, said that RMC would do well to match the 1991 profits in 1992. Mr Derek Jenkins, finance director, said yesterday that that view still held, although he confessed to being "a bit confident".

Group sales were 8 per cent up at £2.8bn, but operating profits fell by 16 per cent to £195m, reflecting a squeeze on margins.

Associates, mainly the company in Israel, contributed £6.7m (£4.1m).

Interest charges rose from £19.8m to £33.9m. Mr Jenkins said that reflected a full year of financing the acquisition in eastern Germany made at the end of 1990, and the capital expenditure programme of £248m in 1991 (£311m).

Interest cover was still 5.9 times (11.9).

The tax rate rose to 35.2 per cent (32.7 per cent) because of the higher proportion of profits made in Germany, and minorities rose from £33.2m to £38.5m again mainly reflecting the rise in German profits.

Operating profits from the UK fell 61 per cent to £34.9m on sales 12 per cent lower at £903.6m.

Mr Jenkins said that the UK businesses all suffered. Ready-mixed volumes were down about 20 per cent and a further 5 per cent fall might be seen in 1992.

However, he said reductions in capacity by RMC and its competitors were beginning to arrest the fall in prices.

There was some hope that housing activity might pick up following the election result, and this would help the group's Great Mills DIY stores. But Mr Jenkins said he saw no recovery in commercial building until 1993.

In Germany operating profits rose 26 per cent to £90.4m on sales up 32 per cent to £926.7m. Mr Jenkins said that forecasts of slower economic growth in Germany did not take account of expansion in eastern Germany where RMC is building a cement plant and increasing the number of ready mix plants it has. He said RMC hoped to at least maintain its German profits in 1992.

Elsewhere in the EC, operating profits fell 3.2 per cent to £55.1m as lower profits from the Irish Republic, Belgium and the Netherlands offset good performances in France and Spain.

Other countries, such as Israel and Austria, increased profits from £13.6m to £14.2m.

The group's balance sheet showed net debt of £326m (£220m) if the £78m convertible capital bond is treated as debt rather than equity. The bonds, which mature in 2006, have a conversion price of 810p. Shareholders funds were £695m (£662m) and minority interests £225m (£179m).

See Lex

Jim Owen: would do well to match 1991 profits

Norweb to compete in gas market

By Juliet Sychrava

NORWEB, the regional electricity supply company, is to start marketing gas.

It will be the fourth regional electricity company, after Midlands, Eastern, Seeboard and Scottish Power, to try to undercut British Gas by competing in the gas supply market.

The gas will be marketed by Northern Gas, a joint-venture between Norweb and UtiliCorp United, the US electricity and gas company. Norweb has 75 per cent of the venture.

The move will put more pressure on British Gas, which has agreed with the Office of Fair Trading to halve its share of the industrial gas market by 1995.

Northern Gas will begin by distributing North Sea gas to 50-100 small and medium-sized industrial and commercial consumers using over 25,000 therms.

The gas will initially be supplied by UtiliCorp which has interests in the Indefatigable and Leman oil fields.

Hammerson net asset value falls to 637p

By Vanessa Houlder, Property Correspondent

HAMMERSON, the UK's third largest property group, yesterday announced that its net asset value fell by 23 per cent, from 832p to 637p per share, in 1991.

Pre-tax profits fell 21 per cent, from £70.7m to £55.5m. Although operating profits increased from £53.6m to £55.4m, property trading profits fell from £17.1m to just £100,000.

An extraordinary item of £96.6m resulted principally from a write-off against a development property in Fifth Avenue in New York.

Mr Sydney Mason, chairman, was cautious. "The majority of the property markets worldwide in which the group operates are experiencing the most depressed conditions in living memory. The substantial oversupply of unlet accommodation means that recovery will be slow and will lag by some time an improvement in world economies," he said.

Net borrowings at the year end totalled £824m, which taken with the fall in property values, resulted in an increase in gearing from 54 per cent to 78 per cent.

UK net rental income rose by more than 12 per cent to £52.3m. Net rental income overseas increased by 6 per cent.

The underlying value of the group's properties fell 15.9 per cent to £1.98bn at the year end.

Earnings per share fell 27 per cent from 31p to 22.5p. A final dividend of 17p makes an unchanged total of 20.5p.

● COMMENT

Hammerson can rightly boast the best geographically diversified portfolio of any UK property company, with strong cash flow, excellent tenants and a relatively small development programme. But this is small comfort in the world's worst property slump, as demonstrated by the 45 per cent fall in its net asset value in the past two years. The deflation of property values will probably continue this year, with analysts pencilling in a further 10 per cent fall in net asset value. Canada, where Hammerson has 26 per cent of its assets, is a particular concern thanks to the predicament of Olympia & York, the cash-strapped Canadian developer. The unfurling of O&Y's problems, combined with fears – which proved accurate – about the asset values in this set of results, has pushed Hammerson's share price down in recent days. After a further 6p fall to 356p yesterday, the shares are on a discount to net assets of 38 per cent, assuming a net asset value of 574p next year. With such a yawning discount and a dividend yield of 8.4 per cent, there are no compelling reasons to sell the shares. But given the depressed sentiment towards property and the remote prospects of recovery, enthusiasm is in equally short supply.

Devenish to lease 115 pubs from Whitbread

By Philip Rawstorne

JA Devenish, the west country-based pub operator, yesterday announced that it is leasing 115 pubs from Whitbread.

The pubs, which will be leased for eight years free of tied beer supplies, increase the Devenish estate by 25 per cent to more than 500 pubs.

Mr John Clark, chief executive, said the pubs are located in two of the company's development areas, along the M5 corridor and on the south coast around Bournemouth, Southampton and Swanage. "They provide us with a good opportunity to expand our business without initial capital outlay," he said.

Whitbread bought Devenish's beer brands for £9.75m during its successful campaign against a takeover bid from Boddington last year and supplies a range of beers to the company.

As part of its requirement to free 2,250 pubs from exclusive beer supplies by November this year, Whitbread is planning a number of similar leasing deals with regional brewers and pub retailers.

Scottish Metropolitan in loss

By Roland Rudd

SCOTTISH Metropolitan Property, the leading property investment company in Scotland, incurred a pre-tax loss of £840,000 for the half year to February 15 mainly because of significantly higher interest.

In the comparative period there was a profit of £2.72m, but that turned into a deficit of £8.37m for the full year after exceptional charges of £11.6m.

Interest charges amounted to £10.3m (£6.6m). Only £860,000 of interest was capitalised, compared to £5.5m, following completion of the group's development programme.

Mr Scott Cairns, who was appointed managing director in January, said the accounting policy was not to capitalise interest beyond practical completion of a development.

The group is taking £1.5m from reserves to pay an interim dividend of 1.5p. This is a cut from the previous 2.53p but it intends to maintain the total at 4.4p.

Second half trading was likely to continue to show a loss, albeit a much smaller one. Mr Cairns said some 11 unlet properties could bring in another £7m if tenants were found.

Net revenues from properties rose 11.5 per cent, from £9.5m to £10.6m.

The group was expected to become more of a Scottish company with up to three quarters of its properties based north of the border, compared with the current 60 per cent.

Total borrowings were £190m compared with £201m at August 15. Gearing fell from 142 per cent to 137 per cent.

Losses per share were 1.38p (earnings 1.86p).

£11m turnround puts Beckenham in red

By Don Farrell

AN OPERATING deficit, substantial write-offs, and greatly increased interest charges put Beckenham Group into a pre-tax loss of £5.45m in the year to October 31.

That marked an £11m downswing on the £5.6m profit achieved in the previous year.

Losses per share were 11p (earnings 7.9p). The final dividend is omitted, leaving the total at 0.5p (3p). The dividend on the 9 per cent redeemable cumulative preference shares will not be paid.

Mr Christopher Egleton, chairman of this group of contractors and distributors, said the greatest difficulties were at Duffy Femwork, where the group acquired an outstanding two thirds interest from the joint venture partners. It made ductwork for Canary Wharf.

Recession had a deeper effect than anticipated at the halfway mark, with contract starting dates delayed and pressure om margins increased. The result was a 13 per cent decrease in turnover for continuing operations and an operating loss of £2.45m.

A large scale reorganisation was put in hand. Resulting costs were heavy, amounting to some £2.7m in redundancies and other closure costs and write-downs, in addition to those for Docklands, and there were write-offs for subsidiaries sold in previous years. The provisions have been taken as £1.92m exceptional and £3.58m extraordinary.

Interest setback for Olives

Sharply reduced interest income resulted in lower annual profits at Olives Holdings, the Avon-based group which sold its original paper-making activities to concentrate on property development.

The pre-tax line for 1991 amounted to £718,581 (£854,277) after interest receivable declined to £97,089 (£234,495). Turnover, reflecting disposal of the loss-making paper activities, totalled just £1.58m (£9.82m).

Earnings per share dipped to 5.78p (9.06p). The final dividend is halved to 3p making 6p (9p).

Birse shares fall 36% on warning

Shares in Birse Group, the construction and property concern, fell by 36 per cent from 67p to 43p yesterday as the company warned that its results for the year to April 30 were likely to include an exceptional £8.5m deficit.

The loss stems from the appointment of receivers to their client, Quietwaters, and will result in a loss on ordinary activities for the year. The directors, therefore, will not be recommending the payment of a final dividend.

Alexandra slips into overall deficit

Alexandra Workwear, Europe's largest workwear supplier, incurred a pre-tax loss of £500,000 over the 12 months to February 1.

The outcome – struck after exceptional rationalisation costs of £1.5m incurred in the first half – compared with a profit of £5.3m last time, a figure restated from £6.6m to reclassify extraordinary items above the line.

The group has now completed a three-year capital investment programme. Mr John Prior, chairman and chief executive, said this would allow it to expand its customer base, sales and services.

Turnover declined to £57.2m (£63.1m). Interest charges increased to £2.6m (£2.3m). Gearing stood at 73 per cent (69 per cent) at the year-end.

Losses per share emerged at 0.8p (earnings of 10.8p). The final dividend is cut to 1.8p bringing the total for the year to 3.6p (5p).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Alexandra W'wear	fin	1.8	June 26	3.2	3.6	5
Beckenham	fin	nil	-	1.5	0.5	3
Boot (Henry)	fin	19.5	May 22	18	27	25
Erith	fin	0.7	May 28	2.6	2†	3.9
Farnell Elect	fin	3.2	July 6	3	5.8	5.5
FR	fin	4.35	July 3	4.14	6.69	6.37
Hammerson Prop	fin	17	June 16	17	20.5	20.5
Herring Baker	fin	3.75†	June 4	3.5	7	6.5
Jove Inv Trust	fin	2.7	Aug 28	4.2	5.4	7.65
Laird	fin	6.2	June 10	6	10.2	10
Metsec §	fin	3.7	Aug 4	3.7	6.4	6.4
Olives	fin	3	July 1	6	6	9
RMC	fin	13.4	June 1	12.9	20	19.3
Sage	int	3.02	June 18	2.7	-	8.05
Scot Metro Prop	int	1.5	Aug 17	2.53	-	4.4
Shani §	int	1.6	July 8	1.6	-	4
Taylor Woodrow	fin	7.64	July 1	7.64	9.5†	9.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

ARGENTINIAN INVESTMENT COMPANY, SICAV

Société d'Investissement á Capital Variable

Registered Office: Luxembourg, 14, rue Aldringen
Commercial Register: Luxembourg Section B 35.162

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders of ARGENTINIAN INVESTMENT COMPANY, SICAV will be held at its registered office in Luxembourg, 14, rue Aldringen, on April 23rd, 1992 at 11.00 o'clock for the purpose of considering and voting upon the following matters:

1. To hear and accept:
   (a) the management report of the directors
   (b) the report of the auditor.
2. To approve the statement of assets and liabilities and statement of operations for the year ended December 31st, 1991.
3. To discharge the directors and the auditor with respect of their performance of duties for the period ended December 31st, 1991.
4. To elect the directors to serve until the next annual general meeting of shareholders.
5. To elect the auditor to serve until the next annual general meeting of shareholders.
6. Any other business.

The shareholders are advised that no quorum for the statutory general meeting is required and that decisions will be taken at the majority of the shares present or represented at the meeting.

The Board of Directors

BRAZILIAN INVESTMENT COMPANY, SICAV

Société d'Investissement á Capital Variable

Registered Office: Luxembourg, 14, rue Aldringen
Commercial Register: Luxembourg Section B 26.810

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders of BRAZILIAN INVESTMENT COMPANY, SICAV will be held at its registered office in Luxembourg, 14, rue Aldringen, on April 23rd, 1992 at 12.00 o'clock for the purpose of considering and voting upon the following matters:

1. To hear and accept:
   (a) the management report of the directors
   (b) the report of the auditor.
2. To approve the statement of assets and liabilities and statement of operations for the year ended December 31st, 1991.
3. To discharge the directors and the auditor with respect of their performance of duties for the period ended December 31st, 1991.
4. To elect the directors to serve until the next annual general meeting of shareholders.
5. To elect the auditor to serve until the next annual general meeting of shareholders.
6. Any other business.

The shareholders are advised that no quorum for the statutory general meeting is required and that decisions will be taken at the majority of the shares present or represented at the meeting.

The Board of Directors

NOTICE OF EARLY REDEMPTION TO HOLDERS OF BONDS OF BANQUE FRANCAISE DU COMMERCE EXTERIEUR

US DOLLARS 100,000,000 7 ¾ GUARANTEED BONDS DUE 1993

Notice is hereby given that pursuant to paragraph "b" of the clause "Redemption" [illegible] of the terms and conditions of the Bonds, the Issuer has elected to redeem all the outstanding Bonds at the price of 100 % on May 21, 1992.

The Bonds should be surrendered for payment together with all unmatured coupons appertaining thereto, at the offices of Banque Générale du Luxembourg (Luxembourg), [illegible] AG (Frankfurt am Main), Banque Française du Commerce Extérieur (Paris), Dresdner Bank [illegible] Générale (Paris), Morgan Guaranty Trust Company of New York (Brussels), Swiss Bank Corporation (Basle).

Interest on the Bonds will cease to accrue as from May 21st, 1992.

Banque Generale du Luxembourg SA.
Fiscal Agent.

Anglovaal Group

Mining companies' reports – Quarter ended 31 March 1992

All companies mentioned are incorporated in the Republic of South Africa

All financial figures for the quarter and progressive figures for the current year to date are unaudited.

Rate of exchange on 31 March 1992: R1,00 = £0,20, £1,00 = R5,05.

Development results given are the actual sampling results. No allowances have been made for adjustments necessary in the valuation of the corresponding ore reserves.

Shareholders requiring copies of these reports regularly each quarter should write to the Secretaries, Anglovaal Trustees Limited, 33 Davies Street, London W1Y 1FN

Hartebeestfontein Gold Mining Co Ltd

Reg. No. 05/33926/06

Issued capital: 112 000 000 shares of 10 cents each

	Quarter ended 31 Mar 1992	Quarter ended 31 Dec 1991	Nine months ended 31 Mar 1992
Operating results			
Gold			
Ore milled ... t	787 000	781 000	2 253 000
Gold recovered ... kg	6 727	6 736	19 995
Yield ... g/t	8,8	8,9	8,9
Revenue ... R/t milled	281,75	287,43	289,66
Costs ... R/t milled	225,25	225,82	227,15
Profit ... R/t milled	56,50	61,61	62,51
Revenue ... R/kg	32 124	32 472	32 638
Costs ... R/kg	25 682	25 512	25 595
Profit ... R/kg	6 442	6 960	7 043
Revenue ... R000	216 100	218 734	652 605
Costs ... R000	172 765	171 846	511 772
Profit ... R000	43 335	46 888	140 833
Low-grade gold plant			
Ore milled ... t	442 000	434 000	1 297 000
Gold recovered ... kg	598	607	1 794
Yield ... g/t	1,35	1,40	1,38
Revenue ... R/t milled	42,82	45,03	44,67
Costs ... R/t milled	23,84	23,31	23,52
Profit ... R/t milled	18,98	21,72	21,15
Revenue ... R/kg	31 649	32 198	32 293
Costs ... R/kg	17 622	16 664	17 002
Profit ... R/kg	14 027	15 534	15 291
Revenue ... R000	18 926	19 544	57 933
Costs ... R000	10 538	10 115	30 501
Profit ... R000	8 388	9 429	27 432
Uranium oxide			
Pulp treated ... t	741 023	666 233	1 996 582
Oxide produced ... kg	76 278	70 689	211 313
Yield ... kg/t	0,10	0,11	0,11
Financial results	R000	R000	R000
Working profit – gold mining	51 723	56 317	168 265
(Loss) from sales of uranium oxide and sulphuric acid	(1 327)	(1 740)	(6 487)
Non-mining income	5 340	7 223	19 755
Net inflow (paid)/received	(43)	50	7
	55 693	61 950	181 540
Interest paid and other expenses	189	236	739
Profit before taxation and State's share of profit	55 504	61 714	180 801
Taxation and State's share of profit	20 830	27 353	76 823
Profit after taxation and State's share of profit	34 674	34 361	103 978
Capital expenditure	7 171	6 734	19 447
Appropriation for loan repayments	479	683	1 607
Dividends	—	56 000	56 000
	7 650	63 417	77 054
Development			
Advanced ... m	7 023	7 639	22 915
Sampling results on Vaal Reef			
Sampled ... m	1 206	1 024	3 396
Channel width ... cm	59	59	62
Channel value – gold ... g/t	23,8	27,6	23,1
... cm.g/t	1 392	1 633	1 420
– uranium oxide ... kg/t	0,52	0,46	0,44
... cm.kg/t	30,47	27,22	27,24

Hartebeestfontein Gold Mining Co Ltd – *Continued*

Financial

The profit before taxation for the year to date includes results of hedging transactions

In terms of the Company's articles of association, the directors' borrowing powers are limited to R50 000 000. At 31 March 1992, borrowings totalled R3 497 000 (1991: R5 112 000), of which long-term borrowings amounted to R1 660 000 (1991: R3 282 000) and short-term to R1 837 000 (1991: R1 830 000).

Taxation

The changes to mining taxation announced by the Honourable the Minister of Finance in his budget speech on 18 March 1992 have been taken into account in the results for the quarter and the year to date.

Dividend

Interim dividend No. 72 of 50 cents per share, declared in November 1991, was paid in January 1992.

Capital expenditure

Outstanding commitments at 31 March 1992 are estimated at R3 816 000 (31 December 1991: R6 433 000).

For and on behalf of the board

B.E. Hersov
D.J. Crowe
Directors

Directors B E Hersov D.M.S., Hon. LL.D. *(Chairman)*, B.L. Bernstein Hon. LL.D, D.J. Crowe, J.J. Geldenhuys, L. Hewitt, Clive S. Menell, C.L. Sunter

Alternate directors P.J. Eustace, K.M. Hosking, G.J. Robbertze, J.E. van Niekerk, R.A.D. Wilson

15 April 1992

Eastern Transvaal Consolidated Mines, Ltd

Reg. No. 01/08442/06

Issued capital: 86 333 560 shares of 2,5 cents each

	Quarter ended 31 Mar 1992	Quarter ended 31 Dec 1991	Nine months ended 31 Mar 1992
Operating results			
Ore milled ... t	91 800	89 000	270 700
Gold recovered ... kg	920	891	2 677
Yield ... g/t	10,0	10,0	9,89
Revenue ... R/t milled	313,15	338,73	320,62
Costs ... R/t milled	235,21	229,63	231,63
Profit ... R/t milled	77,94	109,10	88,99
Revenue ... R/kg	31 247	33 835	32 422
Costs ... R/kg	23 470	22 937	23 422
Profit ... R/kg	7 777	10 898	9 000
Revenue ... R000	28 747	30 147	86 793
Costs ... R000	21 592	20 437	62 701
Profit ... R000	7 155	9 710	24 092
Financial results	R000	R000	R000
Working profit – gold mining	7 155	9 710	24 092
Non-mining income	760	751	2 028
	7 915	10 461	26 120
Prospecting expenditure	1 510	2 708	5 450
Profit before taxation	6 405	7 753	20 670
Taxation	1 824	3 524	8 304
Profit after taxation	4 581	4 229	12 366
Capital expenditure	1 549	496	2 407
Dividends	—	6 043	6 043
	1 549	6 539	8 450
Development			
Advanced ... m	2 032	1 670	5 104
Sampling results:			
Sampled ... m	1 031	860	2 417
Channel width ... cm	245	233	243
Channel value ... g/t	9,6	4,4	7,0
... cm.g/t	2 336	1 030	1 711

Financial

The financial results for the year to date include profits arising from hedging transactions.

Taxation

The changes to mining taxation announced by the Honourable the Minister of Finance in his budget speech on 18 March 1992 have been taken into account in the results for the quarter and the year to date.

Dividend

Interim dividend No. 83 of 7 cents per share, declared in November 1991, was paid in January 1992.

Capital expenditure

Outstanding commitments at 31 March 1992 are estimated at R1 276 000 (31 December 1991: R318 000).

For and on behalf of the board

R.A.D. Wilson
D.J. Crowe
Directors

Directors R.A.D. Wilson *(Chairman)*, D.J. Crowe, J.J. Geldenhuys, B.E. Hersov D.M.S., Hon. LL.D., Clive S. Menell, G.J. Robbertze, J.E. van Niekerk

Alternate director B.J. Funston

15 April 1992

Loraine Gold Mines, Ltd

Reg. No. 05/39138/06

Issued capital: 16 366 986 shares of R1,00 each

	Quarter ended 31 Mar 1992	Quarter ended 31 Dec 1991	Six months ended 31 Mar 1992
Operating results			
Ore milled ... t	337 000	304 000	641 000
Gold recovered ... kg	1 766	1 687	3 453
Yield ... g/t	5,2	5,6	5,4
Revenue ... R/t milled	178,88	190,00	184,15
Costs ... R/t milled	176,04	187,31	181,39
Profit ... R/t milled	2,84	2,69	2,76
Revenue ... R/kg	34 134	34 238	34 185
Costs ... R/kg	33 594	33 754	33 672
Profit ... R/kg	540	484	513
Revenue ... R000	60 281	57 760	118 041
Costs ... R000	59 327	56 943	116 270
Profit ... R000	954	817	1 771
Financial results	R000	R000	R000
Working profit – gold mining	954	817	1 771
Profit from sales of pyrite	89	25	114
Non-mining income	2 181	2 126	4 307
	3 224	2 968	6 192
Interest paid	217	183	400
Profit before taxation	3 007	2 785	5 792
Taxation	—	—	—
Profit after taxation	3 007	2 785	5 792
Capital (recoupments)/expenditure	(37)	143	106
Appropriation for loan repayments	119	111	230
	82	254	336
Development			
Advanced ... m	3 956	2 946	6 902
Sampling results:			
Kimberley reefs			
Sampled ... m	210	187	397
Channel width ... cm	84	93	88
Channel value ... g/t	7,4	13,4	10,4
... cm.g/t	626	1 242	916
Basal reef			
Sampled ... m	290	157	447
Channel width ... cm	9	10	10
Channel value ... g/t	118,8	95,8	109,3
... cm.g/t	1 097	921	1 035
Eldorado reefs			
Sampled ... m	946	735	1 681
Channel width ... cm	69	143	101
Channel value ... g/t	14,0	10,3	11,7
... cm.g/t	969	1 471	1 188
Total – all reefs			
Sampled ... m	1 446	1 079	2 525
Channel width ... cm	59	115	83
Channel value ... g/t	15,9	11,8	13,5
... cm.g/t	945	1 361	1 119

Operations

The treatment of surface dump material commenced during the quarter. The reported 337 000 tons of ore milled during the quarter includes 35 000 tons of surface dump material at an estimated head grade of 1,02 g/t.

Financial

Gold revenue includes profits arising from hedging transactions which totalled R3 758 000 for the quarter and R6 085 000 for the year to date. Details of forward sales of future gold production are as follows

Quarter ending	Kg of gold sold	Forward price per kg sold
30 June 1992	718	R38 298
Month ending		
31 July 1992	239	R39 046

The Company has been unable to secure adequate forward prices beyond July 1992.

In terms of the Company's articles of association, the directors' borrowing powers are limited to R35 000 000. At 31 March 1992, borrowings totalled R4 229 000 (1991: R4 608 000), of which long-term borrowings amounted to R3 844 000 (1991: R4 312 000) and short-term to R385 000 (1991: R296 000).

Capital expenditure

Outstanding commitments at 31 March 1992 are estimated at R753 000 (31 December 1991: R950 000).

For and on behalf of the board

D.J. Crowe
R.A.D. Wilson
Directors

Directors D.J. Crowe *(Chairman)*, P.J. Eustace, J.J. Geldenhuys, B.E. Hersov D.M.S., Hon. LL.D., B.J. Lawrenson, G. Maude, Clive S. Menell, J.E. Olivier, S.W. van der Colf, R.A.D. Wilson

Alternate directors J.H.J. Burke, B.J. Funston, T.C. Reed, G.J. Robbertze, K.A. West

15 April 1992

LEGAL NOTICES

NOTICE OF RESOLUTION FOR PAYMENT OF CAPITAL
WOODLEIGH CHRISTIAN NURSING HOME LIMITED

NOTICE IS HEREBY GIVEN in accordance with section 175 of the Companies Act 1985 that:

1. the above named company ("the Company") has approved a payment out of capital for the purpose of acquiring its own shares by purchase.
2. the amount of the permissible capital payment (as defined by Sections 171 and 172 Companies Act 1985) for the shares in question is £31,399.00.
3. the date for the resolution for payment out of capital is 15th May 1992.
4. a statutory declaration and auditors' report required by section 173 of the Companies Act 1985 are available for inspection at the Company's registered office at 1 Loughborough Road, Trent Bridge, West Bridgford, Nottingham, and
5. any creditor of the Company may at any time within the five weeks immediately following the date of the resolution for payment out of capital apply to the Court under section 176 of the Companies Act 1985 for an order prohibiting the payment.

Dated: 8th April 1992
D. B. Malkin, Company Secretary.

KISSIMMEE MOTOR CO LIMITED
(IN ADMINISTRATIVE RECEIVERSHIP)

NOTICE IS HEREBY GIVEN pursuant to Section 48 (2) of the Insolvency Act 1986, that a Meeting of the Unsecured Creditors of the above-named company will be held at the offices of Robson Rhodes, The Galleria, Station Road, Crawley, West Sussex, RH10 1HY, on the 24th day of April, 1992 at 10.00 o'clock in the forenoon, for the purpose of having laid before it a copy of the report prepared by the Administrative Receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a creditors' committee to exercise the functions conferred on it, by, or under the Act.

Creditors are only entitled to vote if:

a) they have delivered to us at the address shown above, no later than 1200 hours on the business day before the meeting, written details of the debts they claim to be due, and the claim has been duly admitted under the provisions of the Insolvency Rules 1986 and

b) there has been lodged with us any proxy which the creditor intends to use on his behalf.

Dated this 30th day of March 1992

N. Ruddock and N. H. Cooper
Joint Administrative Receivers

Creditors may obtain a copy of the report, free of charge, on application to the Joint Administrative Receivers at The Galleria, Station Road, Crawley, West Sussex, RH10 1HY

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS
APPLIED TELEMATICS SERVICES LIMITED

Registration number: 1784848.
Trade Classification: 36.
Names and Addresses of Joint Administrative Receivers:

Vivian Murray Bairstow	N. Ruddock
186 City Road	The Galleria
London	Station Road, Crawley
EC1V 2NU	West Sussex RH10 1HY

Date of Appointment: 1st April 1992.
By whom Appointed: Midland Bank Plc
Date of Charge: 20th August 1986
Nature of Charge: Fixed and floating
V. M. Bairstow and N. Ruddock,
Joint Administrative Receivers

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS
VIEWTEXT LIMITED

Registration number: 1595472.
Trade Classification: 36
Names and Addresses of Joint Administrative Receivers:

Vivian Murray Bairstow	N. Ruddock
186 City Road	The Galleria
London	Station Road, Crawley
EC1V 2NU	West Sussex RH10 1HY

Date of Appointment: 1st April 1992.
By whom Appointed: Midland Bank Plc
Date of Charge: 3rd July 1981
Nature of Charge: Fixed and floating
V. M. Bairstow and N. Ruddock,
Joint Administrative Receivers

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS
APPLIED TELEMATICS LIMITED

Registration number: 1499541.
Trade Classification: 36.
Names and Addresses of Joint Administrative Receivers:

Vivian Murray Bairstow	N. Ruddock
186 City Road	The Galleria
London	Station Road, Crawley
EC1V 2NU	West Sussex RH10 1HY

Date of Appointment: 1st April 1992.
By whom Appointed: Midland Bank Plc
Date of Charge: 30th June 1986
Nature of Charge: Fixed and floating
V. M. Bairstow and N. Ruddock,
Joint Administrative Receivers

IN THE MATTER OF BROCKS FABRICATIONS LIMITED AND IN THE MATTER OF THE INSOLVENCY ACT 1986

In accordance with Rule 4.106 of The Insolvency Rules 1986 notice is hereby given that I, Peter S. Dunn FCA, a Licensed Insolvency Practitioner of Latham Crossley & Davis, 48 Conduit Street, London W1R 9FB, was appointed Liquidator of the above Company by the Creditors on 7th April 1992.
Dated this 7th April 1992
Peter S. Dunn FCA, Liquidator
Latham Crossley & Davis
48 Conduit Street, London W1R 9FB

Insolvency Act 1986 S46(1)(a)
Insolvency (Amendment) Rules 1987 3.2

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS
GORDON RICHARDS TOOLS (BIRMINGHAM) LIMITED

Registered number: 1259792. Nature of business: Engineering Distributors. Trade classification: 15. Date of appointment of joint administrative receivers: 2 April 1992. Name of person appointing the joint administrative receivers: Midland Bank Plc.
DAVID ROBERT WILTON and JOHN FREDERICK POWELL, Joint Administrative Receivers (Office holder nos 292 and 249) Cork Gully, 43 Temple Row, Birmingham B2 5JT

NOTICE THE INSOLVENCY ACT 1986 IN THE NOTTINGHAM COUNTY COURT NUMBER 181 of 1992

GEORGE McMAHON, Occupation Unknown of and lately carring on business as a car valeter at 1 Bedale Court, Chilwell, Nottingham, I, LYNN ROBERT BAILEY, of Cork Gully, Abacus House, 32 Friar Lane, Leicester, LE1 5RA HEREBY GIVE NOTICE that I was appointment Trustee in Bankruptcy of the above named on 6 March 1992.

All person having in their possession any of the effects of the Bankrupt must deliver them to me and all debts due to the estate must be paid to me.

Creditors who have not yet proved their debt must forward their proof of debt form to me at the above address.

I do not propose to summon a general meeting of creditors for the purpose of establishing a creditors committee under Section 301 of the Insolvency Act 1986. However, creditors are advised that they may request a meeting of creditors to be summoned, pursuant to Rule 6.83 of the Insolvency Rules 1986.

Dated this 9th Day of April 1992
LYN ROBERT BAILEY, Turstee in Bankruptcy.

Notice of Appointment of Joint Administrative Receivers
COMPRESSOR ENGINEERING SERVICES LIMITED

Registered number: 2140917. Nature of business: Repairers of electrical goods. Date of appointment of joint administrative receivers: 3 April 1992. Name of person appointing the joint administrative receivers: Barclays Bank Plc.
MARKOS PALIOS and JOHN FREDERICK POWELL, Joint Administraive Receivers (Office holder nos 5701 and 2695) Cork Gully, Abacus Court 6 Minshull Street, Manchester M1 3ED

Notice os appointment of liquidator voluntary winding up
Company Number: 1734275
MICRODRAW LIMITED

Previous name of company: EUSTBAR LIMITED. Nature of business: Supplying Computer Hardware & Designing Computer Systems. Address of registered office: Orchard House, 10 Albion Place, Maidstone, Kent ME14 5DE.
Liquidator name and address N J Vooght, Cork Gully, 10 Albion Place, Maidstone, Kent ME14 5DE. Office holder number: 6339. Date of appointment: 3 April 1992. By whom appointed creditors. Date: 07 April 1992

Notice of appointment of Administrative Receiver
B S RUSSELL

Registered number: 2447442. Nature of business: Parts and Servicing of Lorries (all Types). Trade classification: 32. Date of appointment of joint administrative receivers: 3 April 1992. Name of person appointing the joint administrative receivers: National Westminster Bank Plc.
N J Vooght and C J Hughes, Joint Administrative Receivers (Office holder nos 6339 and 2041) Orchard House, 10 Albion Place Maidstone Kent ME14 5DZ.

Notice of appointment of liquidator voluntary winding up
Company Number: 2375907
MH SCAMP MACHINE TOOL SERVICES LIMITED

Previous name of company: Giftorb Limited. Nature of business: Manufacturers, repairers of machines & machinery. Type of liquidation: Creditors. Address of registered office: Orchard House, 10 Albion Place, Maidstone, Kent ME14 5DE.
Liquidator name and address N J Vooght, Cork Gully, 10 Albion Place, Maidstone, Kent ME14 5DE. Office holder number: 6339. Date of appointment: 31 March 1992. By whom appointed: creditors. Date: 06 April 1992. N J Vooght, Liquidator.

Advertisement of Creditors meeting under Section 48(2) of the Insolvency Act 1986
Registered No: 1933979. Registered in England and Wales
CALDON OF WATFORD LIMITED (IN RECEIVERSHIP)

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at: Cork Gully, Harman House, 1 George Street, Uxbridge UB8 1QQ at 10:00 am on Friday, 24 April 1992, for the purpose of having laid before it a copy of the report prepared by the Joint Administrative Receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act. Creditors are only entitled to vote if:

(a) they have delivered to us at the address shown below, no later than 1200 hours on Thursday, 23 April 1992, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditors must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Dated this 8th day of April 1992.
J M Iredale, Cork Gully 9 Greyfriars Road, Reading, Berkshire RG1 1JG.

COMPANY NOTICES

THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED
PRIMARY CAPITAL UNDATED FLOATING RATE NOTES

Notice is hereby given to the holders of these notes that copies of the Annual Report and Accounts of the Bank and of its parent company, HSBC Holdings plc, for the year ended 31 December 1991 are available from the Public Affairs Department of the Bank at 99 Bishopsgate, London EC2.
15 April 1992

RESIDENTIAL PROPERTY

HOLIDAYS & TRAVEL

COMPANY NEWS: UK

Laird calls for £41m after 27% fall

By Richard Gourlay

LAIRD GROUP yesterday reported profits down £10.5m after high start up costs in Germany and Spain. The automotive supplier also announced a 1-for-4 rights issue at 220p to raise £41.4m for continued growth.

The market took the rights issue in its stride and Laird's shares rose 1p to 275p.

Laird said it had spent two years and £60m on investments in existing businesses, including the two new plants supplying car door seals for new Golf and Astra models and that further investment was planned.

It also planned to expand the computer and building industry divisions in the UK and printing, packaging and plastics in the US.

Broadly in line with expectations, pre-tax profits fell 27 per cent, from £38.9m to £28.4m on sales ahead 7 per cent at £523.8m.

The profits came after £3m of start up costs in Germany and Spain and £2.2m for redundancy in France and the UK.

In sealing systems for cars, operating profits fell from £18m to £13.8m reflecting lower demand in France, pressure on margins on seals for older car models and some loss of sales as Volkswagen changed from the old Golf to its new model.

Mr Ian Arnott, managing director, said Laird would this year enjoy the benefit of higher market share and higher margins on sales of its new seals from the new plants.

Profits in the services division were almost unchanged at £10.2m, buoyed by continued rapid growth in the Fullarton Fabrication computer plant in Scotland.

In the industrial products division, which includes the French auto supply companies, profits fell from £16.1m to £12.9m partly as a result of the redundancies.

Earnings per share fell from 24.4p to 17.5p and a final dividend of 6.2p gives a total of 10.2p (10p).

Mr Arnott said the rights issue would reduce gearing from a year-end level of 44 per cent, up from a 40 per cent a year earlier, to the mid teens.

● COMMENT

Laird's metamorphosis over 20 years from shipbuilding, through steel, to transport systems and now to high-tech rubber and plastics for the auto industry has been remarkable. Judging by the market's reaction to yesterday's call for £41m to do more of the same, shareholders like what they are getting. The company is increasing both market share and value added in the European car market and so long as the industry keeps demanding higher specification parts, shareholders will not be disappointed. Laird's problem, if it has one, is that its auto side is so strong that efforts to grow the 46 per cent of sales in non-auto to provide greater balance are constantly hindered. That is not, however, an immediate problem. This year the group is likely to make pre-tax profits of £39m, giving 21.3p of earnings and an undemanding multiple of 13.

Henry Boot marches ahead to £6.77m

By Peter Franklin

IN SPITE of depressed conditions across its activities, Henry Boot & Sons, the Sheffield-based construction and property group, reported a satisfactory performance from all divisions in the 1991 year.

Pre-tax profits showed a 6 per cent advance, from £6.36m to £6.77m, and came from turnover down by £1.1m to £129.9m.

Mr David Boot, chairman, said that in construction, competition had been fierce throughout the year, but a reasonable performance had been achieved. Despite over-capacity and depressed rates, plant hire had also remained profitable.

Private housing development had seen difficult trading conditions persist throughout the year. The average selling price of properties had risen to £69,500 against £64,000.

In property development and investment sufficient earnings were generated through rental income, land sales and mineral exploitation to produce a satisfactory profit, Mr Boot added.

With cash reserves of £14.6m the group is well-placed to exploit opportunities once the recession shows signs of abatement, Mr Boot said.

"There seemed to be a lack of political determination to improve either the country's overall infrastructure or the climate generally for commercial and residential developments and this did not augur well for the industry in the immediate future", he said.

The final dividend is raised to 19.5p making a total of 27p (25p), payable from earnings per share up from 76.1p to 91.9p.

DacEasy buy behind Sage's rise to £4.34m

By Andrew Bolger

SAGE GROUP, the Newcastle-based business software company, yesterday reported a 44 per cent increase in pre-tax profits to £4.34m for the six months to March 31, boosted by last year's large acquisition in the US.

The group said DacEasy of Dallas, which it bought in May for an initial $18m (£10.4m), was trading ahead of budget and increased its profits by 62 per cent, contributing £1.4m.

Sage shares rose 31p to 484p.

The enlarged group's turnover rose by 85 per cent to £14.5m while earnings per share grew to 14.5p (11.6p) on share capital enlarged by last year's rights issue.

Sage said the proportion of recurring revenues from sales of stationery, software maintenance and training increased to 40 per cent of group sales.

Mr David Goldman, chairman, said: "With around half of total sales arising overseas and a large and increasing proportion of income arising from recuring revenue, the group has become much less vulnerable to economic conditions in the UK."

UK software sales increased by 16 per cent in spite of the continuing recession. The core UK business grew by 24 per cent, excluding MainLan, which supplies software for PC networks. MainLan sales were down 42 per cent, partly caused by a reduction in prices.

MainLan had come under strong competitive pressure. Overall, UK operating margins fell from 38 per cent to 36 per cent, because of MainLan and extra staffing costs.

In the US, DacEasy showed sales growth of of 14 per cent. Profitability rose because the higher sales had been achieved without any increase in overheads, and operating margins in the much more fragmented US market rose from 18 per cent to 25 per cent.

Losses at MainLan Inc had been reduced to £115,000. Last year all its activities except sales were moved from Florida to DacEasy in Dallas and it is intended to complete the consolidation of MainLan with DacEasy, to ensure a return to profitability for the group's sales of network products.

The interim dividend is raised to 3.02p (2.7p). Sage said its balance sheet remained strong, with end-period cash balances of £4.1m (£4.6m).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Scottish American Inv, Smiths Industries.

Finals- Airbreak Leisure, Barlows, Black (A&C), Blue Circle, Culver, Forte, Golden Vale, Haden MacLellan, Helical Bar, Higgs & Hill, Russell (Alexander), Savoy Hotel, Tarmac, Tie Rack.

FUTURE DATES

Interims-	
Bibby (J)	May 7
Jessups	Apr. 22
Sidlaw	May 11
Wharfedale	Apr. 28
Finals-	
Fleming Universal Inv	Apr. 22
Hartstone	May 14
Irish Life	Apr. 27
Jerome (S)	Apr. 23
Jourdan (Thomas)	Apr. 24
Racal Electronics	Jun. 10
Ramco Oil Services	Apr. 24
Securities Tst Scotland	Apr. 23

FR edges ahead to £21.4m

By Richard Gourlay

FR GROUP, the aerospace and defence contractor, yesterday reported profits marginally higher despite a tough year in its commercial components division.

Pre-tax profits rose from £21.3m to £21.4m on sales down slightly to £168.4m.

Earnings per share rose from 20.07p to 20.12p and the final dividend is raised to 4.35p, giving a total of 6.69p (6.37p).

The group was held back by delayed orders from the UK government but the military systems division performed reasonably well.

Mr Gordon Page, chief executive, said profits had been maintained as a result of cost cutting, increased productivity and greater management efficiency.

"Military spending is not going to be abolished and there is increasing business to be done in the spheres of surveillance, training and air-to-air refuelling," he said.

FR Aviation increased sales and profits, winning contracts with the Ministry of Agriculture and Fisheries to provide surveillance of UK waters and with the Ministry of Defence to continue target towing services.

FR's Mk32 air-to-air refuelling pod is now in production for the Royal Air Force VC10 and the company is negotiating to supply a variant to the US Air Force.

Flight refuelling, unmanned targets and special flying services now account for about half of group sales and profits.

The group ended the year with net cash of £7.8m, up from £5.8m but net interest earned fell £800,000.

NOTICE OF INTEREST RATE
To the Holders of Banco Central do Brasil New Money Bonds Due in 1999

In accordance with the provisions of the Bonds, notice is hereby given that the above Bonds will bear interest for the 183 day Interest Period from April 15, 1992 to October 15, 1992, at a rate per annum of 5⅟₁₆ as calculated in accordance with the terms of the above Bonds.

BANCO CENTRAL DO BRASIL, Issuer

KOLON INDUSTRIES, INC.
(Incorporated in the Republic of Korea with limited liability)

Notice
to the holders of the outstanding
U. S. $ 28, 500, 000
4 per cent. Convertible Bonds due 2005
(the "bonds")
Kolon Industries, Inc.
(the "Company")

NOTICE IS HEREBY GIVEN to the holders of the Bonds that the Board of Directors of the Company by a resolution dated 18th March, 1992 authorised the issue of a domestic Convertible Bond of W10,000,000,000 on 19th March, 1992. Pursuant to the Provisions of the Trust Deed constituting the Bonds, the Conversion Price of the Bonds has been adjusted as a result of the domestic Convertible Bond issue from Won 19,200 to Won 18,853 effective 19th March 1992.

April 15,1992 — Kolon Industries, Inc.

Manufacturing demand down as companies reduce spending on capital equipment

Expanded Farnell slightly lower at £33m

By Roland Rudd

A FALL in interest income led to Farnell Electronics reporting a slight decline in pre-tax profits, from £33.8m to £32.7m, for the year to February 2.

The electronic equipment distributor received interest payments of £500,000 compared with £3.8m because of its recent acquisition of STC's distribution division for £61m.

A further £3m was spent on buying Cayson Engineering.

In the first seven months STC contributed £5m to operating profits which rose to £32.2m (£30m) on sales of £205m (£164m).

Farnell's main division, electronic component distribution, increased its pre-tax profit by 28 per cent, from £23.9m to £30.5m. Margins increased as less customers made use of the discount for larger volumes.

Electronic equipment manufacturing saw its pre-tax profits fall from £7.03m to £2.52m. Demand from the division's biggest customers, such as BT and IBM, was significantly down on the previous year. "There has been marked reluctance from companies to spend on capital equipment", said Mr Raymond Kidd, chairman.

Last year's net cash of £29.5m has been transformed into borrowings of £13m associated with the group's acquisition of STC. Gearing has been reduced from 36 per cent, when STC was acquired in July, to 17 per cent.

Earnings per share increased to 16.5p (16.3p). A recommended final dividend of 3.2p makes a total of 5.8p (5.5p).

Mr Richard Hanwell, who joined the board as a non-executive director in January, is to succeed Mr Kidd as chairman in August when he retires at the end of his service contract.

● COMMENT

These were better results than analysts had forecast, which has become something of a rare event in the last year. Farnell's acquisition of STC's distribution division, questioned by some commentators at the time who feared the company had paid too much, is beginning to look the good buy the company said it was after contributing £5m operating profits in the first seven months. With the lossmaking German enterprise in mind there is bound to be some uneasiness over the group's decision to expand its European operations. A sales office has opened in the Netherlands with France tipped as the next country for Farnell's continental expansion. The group has, however, halved the loss at its German business, from £1.7m to £800,000. With forecasts of pre-tax profits of £38.5m, the shares are on a prospective multiple of 15.7, slightly above the sector average. The shares still look undemanding.

Cronite receives £7.3m agreed cash bid from French engineer

By Nigel Clark

CRONITE GROUP, the Birmingham-based engineer and steel stockholder, has received a £7.3m cash offer from AFE, a quoted French engineering company.

The offer is being recommended by most of the board, except for Mr David Pinsent, a former chairman of the company.

He said the offer was untimely and did not fully value the company. It disregarded the potential benefits of closing loss-making subsidiaries and the reduction in debt following the £3.5m sale of Cronite Steels.

He advised shareholders to reject the offer and said he would be writing to them.

The majority of the directors said that there were limits to the growth which could be achieved on the back of an improvement in the UK economy and increasing exports.

They added that it was likely that any large expansion would require investment. Becoming part of a larger group would enhance the prospects for development.

AFE is offering 45p a share and has received undertakings to accept in respect of 2.4m shares or 14.8 per cent of the equity. Cronite's shares rose 15p to close at 44p.

In the year to September 30 pre-tax losses were £1.96m (£1.22m profits) on turnover of £35.1m (£46.7m). Gearing at the year end was 117 per cent.

Following closure of loss-making businesses the company expects to return to profits in the present year.

NEWS DIGEST

Erith cuts dividend as profits slide

ERITH, the builders' merchants, just stayed in profit for 1991. It is cutting the total dividend from 3.9p to 2p.

Turnover fell to £67.5m (£77.7m) from which a pre-tax profit of only £24,000 (£2.24m) was generated. The group's problems were aggravated by a bad and doubtful debts provision of £1.7m, representing 2.6 per cent of sales against a normal 0.4 per cent.

Mr Graham Davies, chairman, said the poor result came despite a stringent cost-reduction programme during the most difficult year for the building and construction industry.

Earnings per share reached only 0.09p (3.83p). The recommended final dividend is cut from 2.6p to 0.7p.

Mr Davies will retire as chairman on May 21, at the conclusion of the annual meeting. Mr Bryan Castledine will become chairman and managing director.

Herring Baker static with £3.5m

Herring Baker Harris, the chartered surveyor, increased turnover by 6 per cent and pre-tax profit by 1 per cent in the year to January 31.

The figures did not include any contribution from Baker Harris Saunders, with which Herring merged in January.

Turnover came out at £13.4m (£12.7m) and pre-tax profit at £3.51m (£3.49m). Mr Nick Owen, chairman, said: "The property industry has been a disaster area for unwary investors. Against that backdrop these results are an outstanding achievement."

Benefits came from "the geographical spread and an exceptionally strong professional work load." Across the country the first benefits of work from the 1990 rating revaluation had been seen.

Earnings per share declined to 19.16p (19.47p). The proposed final dividend is 3.75p for a total of 7p (6.5p).

Tight control helps Shani lift margins

Tight control of overheads and production costs enabled Shani Group to produce a pre-tax profit of £770,000 for the half year to January 31 1992, compared with £764,000.

This USM-traded maker of women's and children's clothes saw its margins increase as turnover fell from £5.92m to £5.09m. Liquidity during the period remained healthy.

Earnings per share improved to 3.6p (3.5p) and the interim dividend is again 1.6p.

London St Lawrence net assets down

Net asset value of London and St Lawrence Investment stood at 138.24p at February 29, down from 140.02p a year earlier.

Net revenue for the six months to end-February amounted to £520,884 (£493,338) for earnings of 2.74p (2.6p) per share.

West Industries net loss at £7.5m

Net attributable losses at West Industries, the mechanical engineer, more than doubled in the year to March 31 1991.

They were up from £3.34m to £7.55m, equal to 13.11p losses per share against 2.98p.

Sales improved from £22.8m to £24.5m, but pre-tax losses rose six-fold to £6.3m (£1.08m). Extraordinary charges came to £1.97m (£2.23m).

Metsec improves in second half

Metsec staged an improvement to finish 1991 with a pre-tax loss of £257,000, after recording £285,000 in the opening half. The dividend is held at 6.4p as directors feel that prospects are good.

The loss came from turnover of £79.8m, and compared with a profit of £4.15m on sales of £83.2m previously.

USM-traded Metsec, which serves the building products, electronic products, engineering and construction industries, started 1992 with an upward trend in order books and increasing profitability in overall performance, reported Mr Keith Hirst, chairman.

The loss-making businesses of 1991 had either been closed or were operating at break-even or better this year. They would only be maintained where present performance could be improved during 1992 and good recovery potential was present.

Losses per share were 2.07p (earnings 17.18p). The proposed final dividend is 3.7p.

COMMODITIES AND AGRICULTURE

UK milk board submits plan to become co-op

By David Blackwell

THE MILK Marketing Board for England and Wales yesterday submitted to the government its proposals to become a single voluntary co-operative with pooled prices.

The UK Agriculture Ministry late last year began to increase pressure on the MMB to reform itself, and set an Easter deadline for plans to be submitted. Once past the ministry the proposal will go before the European Commission.

The MMB plans, originally announced in January, include spinning off Dairy Crest, its wholly-owned subsidiary with a 25 per cent share of the UK's manufactured dairy products market. Shares in Dairy Crest will be transferred to dairy farmers on the basis of milk supplied in the past over a given period.

Mr Bob Steven, chairman of the MMB, said: "Implementation of our proposal is subject to discussion with the Dairy Trade Federation, Maff [the ministry] and UK regulatory bodies and the EC. We will do all we can to avoid unnecessary delays to achieve our objectives".

The DTF, which represents dairies and processors, welcomed "the end of uncertainty", but said that any changes to the MMB "must lead to a genuinely free market in raw milk".

EC gives comfort to traditional banana suppliers

Canute James on Caribbean reactions to a decision to keep the fruit out of the Gatt negotiations

TRADITIONAL suppliers of bananas to the European Community, who fear a loss of the trade when the single European market is created in eight months, were comforted by last week's European Commission decision against the inclusion of the fruit in the Gatt negotiations.

The commission's proposal to apply quotas to banana imports from other sources, mainly the Latin American countries, rather than imposing tariffs on these imports, is regarded by the traditional suppliers in the African, Caribbean and Pacific group of countries as necessary for the survival of their industries on which many small economies are dependent.

But the commission's position has apparently driven home to ACP producers, which have higher production costs, the message that ultimate survival on the European market means that they will have to increase productivity and efficiency, and that it is not the wisest of courses to continue depending heavily on bananas as a source of foreign earnings.

"We are pleased that they have decided not to use tariffication in dealing with this very important matter," said Mr Marshall Hall, chairman of Jamaica's Banana Export Company. "Tariffication would have exposed us to the wealth of the multinational fruit companies, which can afford to lose some money over several months in order to gain a market advantage."

The ACP producers, who supply one fifth of the bananas consumed in the EC, had been worried by the proposals made in the text of the current Gatt negotiations that current trading conditions for current export volumes be maintained for all sources until 1999. Anything above this would be subject to tariffication, with tariffs being reduced progressively by an average of 36 per cent between 1993 and 1999.

Against this proposal, the EC had to set its own undertaking to the ACP states that they would not be placed "in a less favourable situation than in the past or at present". The commission, in arriving at a compromise, proposed quotas on fruit from non-ACP sources. The quota can move upwards depending on the growth of consumption in the EC, reducing prices to consumers. But no figures have been set.

All this depends on the granting of a waiver by Gatt. Opposition is expected from the Latin American producers and the US multinationals that operate in those countries, and who, for a long time, have been casting envious glances at the European market. Regardless of the outcome of impending negotiations, Dame Eugenia Charles, prime minister of Dominica (one of the Windward Islands) whose economy is 60 per cent dependent on banana exports, has drawn some clear conclusions.

Caribbean bananas cost about 80 per cent more to produce than Latin American fruit. There would be one clear and easy winner in open competition.

"We now have to ensure that we improve the quality of our bananas and that we increase the level of productivity by raising yield per acre so the farmer gets more," she said. "We also have to ensure that diversification takes place because we must never again rely entirely on bananas. The commission's decision gives us some time and some breathing space for us to put the rest of our house in order. But it is not going to be easy."

Latin American producers are hardly likely to be happy at the latest developments. The Union of Banana Exporting Countries (UPEB), which is made up of eight Latin American producers, has been seeking unrestricted EC access for their cheaper fruit. A recent letter sent by UPEB members (Colombia, Costa Rica, Honduras, Guatemala, Nicaragua, Venezuela, Dominican Republic and Panama) to Mr Jacques Delors, the president of the European Commission, questioned the need for continued protection for ACP fruit.

The Latin producers told Mr Delors that it was unacceptable and unusual to exclude bananas and other tropical agricultural products from the globalisation of markets being considered by the Gatt. UPEB said continuing restrictions would halt the growth in the Latin countries' banana exports to the EC.

ACP producers have launched a diplomatic offensive in Washington to counter opposition from the US fruit industry to the EC position. Caribbean officials, producers and traders say they expect a "sympathetic" hearing, while there is some optimism that the derogation under the Gatt will be granted – if the US does not ask too high a price of the EC in return.

"The question for the ACP producers now concerns the manner of the administration of the quotas," said Mr Hall. "How will the quotas allow for growth? For how long will they be in place? The next step is for ACP producers to prepare their quota suggestions. I expect the European Commission to receive a deluge of quota proposals."

Cuba faced with worst sugar crop in years

CUBA IS straining to finish what could be its worst sugar harvest in recent years because it says it needs every tonne to help keep its crisis-hit economy afloat, reports Reuter from Havana.

After maintaining a virtual news blackout on the 1991-1992 sugar crop for five months, the Caribbean island's government is now making the harvest a national public issue. "Our sole option. . . is not to lose a single tonne of sugar," it said.

The government urged the country's sugar workers to make a maximum effort over the next few weeks, a message reinforced by daily television propaganda spots focusing on the harvest.

The official media describe the current season as one of the most difficult ever experienced by Cuba, which has traditionally been the world's biggest exporter of sugar.

The 1991-1992 harvest started late and has been bedevilled by shortages of oil, lubricants and spare parts that are essential to keep mechanical harvesters and mills running.

Adding to the urgency is the possible onset of spring rains in May which could disrupt a late-finishing harvest.

Even more worrying for Cuba, the difficulties come at a time when it needs every tonne of sugar it can produce to exchange for vital imports of oil, machinery spares and food.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, \$ per tonne, in warehouse, 1,700-1,740 (1,680-1,730).

BISMUTH: European free market, min. 99.99 per cent, \$ per lb, tonne lots in warehouse, 2.40-3.00 (same).

CADMIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 0.95-1.10 (same).

COBALT: European free market, 99.5 per cent, \$ per lb, in warehouse, 27.00-28.50 (27.00-27.50).

MERCURY: European free market, min. 99.99 per cent, \$ per 76 lb flask, in warehouse, 115-125 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, \$ per lb Mo, in warehouse, 2.11-2.17 (2.12-2.18).

SELENIUM: European free market, min 99.5 per cent, \$ per lb, in warehouse, 4.80-5.50 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10 kg) WO_3, cif, 56-66 (same).

VANADIUM: European free market, min. 98 per cent, \$ a lb V_2O_5, cif, 2.05-2.20 (2.10-2.20).

URANIUM: Nuexco exchange value, \$ per lb, U_3O_8, 7.85 (8.00).

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+3,225	to 1,203,150
Copper	+175	to 292,225
Lead	−75	to 131,525
Nickel	+72	to 28,172
Zinc	+1,175	to 224,275
Tin	+30	to 11,705

Mali hopes for return of golden age

Alastair Guild on one of the great unexplored gold prospects

GOLD MADE the ancient empire of Mali one of the richest in the world. And now, six centuries later, West Africa is seen by mining companies as one of the world's great unexplored gold prospects.

Carbon dating of pottery fragments found in ancient workings at Syama in the far south of Mali, near the border with the Ivory Coast, indicate that oxide ore was worked 740-400 years ago. BHP Minerals International, the first major exploration and production company to establish a presence in the region's gold fields, is negotiating with the Malian government before making a final decision on an additional \$70m investment in Syama. Syama will yield 2.5 tonnes of gold this year and is expected to produce 3 tonnes for the next two years.

Then, the company, which up to now has been shifting dirt, will hit hard rock. The new investment will extend the life of the main open cast mine, 1 km long and 330 metres across, by up to 20 years, while exploratory drills at a further half a dozen satellite sites have indicated promising reserves. Total reserves at Syama have been estimated at 80 tonnes.

The Australian-based multinational is investing a further \$5.5m a year on minerals exploration in West Africa as a whole, and in Mali, Ghana and the Ivory Coast in particular.

BHP, among the world's largest minerals companies, has already invested \$40m in the pit in the three years since the signing of the exploration agreement. The initial lease covered an area of 1,500 sq km, now slightly reduced. The production agreement covers 20 sq km.

The average concentration of gold is currently 3.1 grams per tonne of ore. But each day 13,000 tonnes of dirt is excavated from the main pit, of which only 3,000 tonnes is processed through the mill.

"To justify our investment in management and infrastructure in West Africa, BHP has to plan for a series of productive sites in the region," says Mr Daniel Johnson, mine manager at Syama. "Syama is of huge significance for Mali as its first, and so far only, large scale commercial venture into gold mining using modern techniques. But for BHP it has to be seen in the context of a turnover last year of \$10bn."

Syama by itself is also small in a regional context. For Mali, it represents 6 per cent of GDP. In Ghana, it would be considered a small to medium-sized operation. Nevertheless, Mali is believed to have considerable, as yet unexplored potential, similar to that of Ghana.

Mali has been bypassed by the major exploration companies, partly because of the difficulties of detecting deposits, generally covered by thick layers of laterite. Its poor infrastructure has been another factor – for example, industrial consumers pay 5 cents per kw hour for electricity in Ghana compared with 25 cents in Mali. The gold has to be transported long distances as Mali is landlocked – BHP flys it first to Bamako, then to Brussels, and finally to Geneva.

Mali's government ministries have been considered to be among the least well-informed in the region. But things are changing. The United Nations Development Programme recently completed an \$8m, 12-year project to give the country its own centre of expertise in minerals. UNDP's first involvement in Mali's mineral sector dates back to 1979, when it located early traces of mining. That provided the justification for heavier involvement in exploration, and training of Malians. It was during this phase that the Syama deposit was uncovered.

During the follow up, UNDP and the UN Department for Technical Co-operation for Development, helped the Malian government negotiate and finalise the agreement with BHP. The Malians struck what appears to be a favourable deal at Syama, and it is one they are already starting to tighten up. In future, the government is expected to take 6 per cent royalties, and a 20 per cent stake. Taxation on profits will be levied at 45 per cent.

UNDP soon realised that the Malians themselves could take care of some exploration at least. It financed teams to provide on-the-job training, equipment for a geochemical laboratory and assistance with drilling. PDRM – the Programme pour le Developement de Resources Minerales – has already carried out contracts for analytical work, drilling, digging shafts and the analysis of geological samples.

Minerals experts believe that Mali will now benefit considerably from an aerial geophysical data set for the south and west of the country as a back-up to surface mapping carried out by the Belgians, French and the UN, much of it from the 1960s.

BHP is itself concerned to transfer as much expertise as possible to Malians. For example, it already has ten West African exploration geologists working in the region.

The company expects to start making a net return on its Syama investment by the end of this next year.

Operating costs at Syama are thought to be in the range of \$200 to \$250 a troy ounce, while the gold price has fallen from over \$400 to \$340 an ounce since Syama went into full scale production last year. The feasibility study, on which the Syama investment was based, assumed a price of \$400 an ounce at 1988 exchange rates.

Elsewhere in Mali, the French Bureau de Recherches Geologiques et Minières has a concession on a deposit at Loulo, the west of the country. Here it is negotiating a joint venture with the government and an as yet undisclosed third party. These beds contain some 30 tonnes of gold to a depth of 100 metres, with between five and 10 grams of gold to every tonne of ore.

Mali will be hoping that it turns out to be more successful than its first joint venture. The Kalana mine, which has gold reserves of 30 tonnes, and the first large scale deposit to be exploited, was opened in 1984 and mined with Soviet assistance. Officially, it was producing about 2 tonnes of gold a year.

Syama's ore is treated in a carbon-in-leach system

It has just closed, amid rumours that much of the production bypassed official channels and was shared out by the country's now disgraced former president, Moussa Traore, ousted in a coup in March last year, and the Soviets. Most of what was left is said to have been exchanged by the government for Soviet military hardware, much of it now useless with no-one to service it or provide spare parts since the end of Soviet expansionism in Africa.

WORLD COMMODITIES PRICES

MARKET REPORT

GOLD declined on the London bullion market as profit taking set in after the release of the US retail sales data, which was exactly in line with forecasts. News that the Russian Congress had approved in principle a declaration that would allow the government's radical economic reforms to continue was seen as mildly bearish. Rising political tension between the Congress and President Yeltsin's government had been seen as supportive for gold. **PLATINUM** futures on Nymex were lower at midday as the market braced for more selling by Japanese investors, analysts said. Light selling by the Japanese overnight was enough to keep the metal in the doldrums. A decline in GM car sales from April 1 to 10 also undercut sentiment. On the LME **ALUMINIUM** lost ground in the afternoon as an early rise to a nine-month high of \$1,373 a tonne for three-month metal proved unsustainable. New York arabica **COFFEE** futures were mostly firmer at midday. However, analysts said coffee remained under siege, citing disappointment that the ICO last week did not hammer out a new price-supporting pact, high supplies and a seasonal decline in consumption.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	\$16.45-.55	-0.225
Brent Blend (dated)	\$13.90-.95	-0.25
Brent Blend (Jun)	\$18.80-.90	-0.225
W.T.I. (1 pm est)	\$20.30-50z	-0.25
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	\$208-210	-2
Gas Oil	\$177-178	-1
Heavy Fuel Oil	\$71-73	
Naphtha	\$180-182	+2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	\$339.2	-1.8
Silver (per troy oz)♣	411c	+1.0
Platinum (per troy oz)	\$346.25	-1.0
Palladium (per troy oz)	\$83.75	-0.35
Copper (US Producer)	103.24	-1.4
Lead (US Producer)	37.38c	
Tin (Kuala Lumpur market)	14.62r	-0.04
Tin (New York)	271.50	-3.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	109.21p	-0.43*
Sheep (live weight)†♣	87.99p	-12.3*
Pigs (live weight)†	92.27p	-3.50*
London daily sugar (raw)	\$242.8v	+1.8
London daily sugar (white)	\$276.0y	
Tate and Lyle export price	£246.5	+1.0
Barley (English feed)	£119.0w	
Maize (US No 3 yellow)	£148.0w	
Wheat (US Dark Northern)	£120.0w	
Rubber (May)♥	54.00p	-0.50
Rubber (Jun)♥	54.25p	-0.50
Rubber (KL RSS No 1 May)	218.0	-1.0
Coconut oil (Philippines)§	670.0t	+7.5
Palm Oil (Malaysian)§	\$410.0z	+5.0
Copra (Philippines)§	\$430.0w	+5.0
Soyabeans (US)	£147.5w	
Cotton "A" Index	57.90c	-0.60
Wooltops (64s Super)	448p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-May/Jun y-Apr/May w-Apr z-May. †Meat Commission average fatstockprices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices

SUGAR – London FOX (\$ per tonne)

Raw	Close	Previous	High/Low
May	211.00	215.40	215.80 208.80
Aug	205.40	209.00	207.80 207.00
Oct	194.60	198.80	198.80 197.00
Mar	193.80	192.00	193.00 193.00
White	**Close**	**Previous**	**High/Low**
May	275.30	275.20	275.70 271.00
Aug	272.30	274.70	274.00 270.00
Oct	265.30	265.70	265.70 263.20
Dec	265.70		265.20 264.80
Mar	266.80	266.70	266.70 264.70

Turnover: Raw 426 (659) lots of 50 tonnes. White 1201 (2646)
Paris- White (FFr per tonne): May 1552.61 Aug 1558.12

CRUDE OIL – IPE \$/barrel

	Close	Previous	High/Low
May	18.59	18.86	19.02 18.52
Jun	18.53	18.82	18.97 18.52
Jul	18.49	18.74	18.69 18.48
Aug	18.44	18.76	18.81 18.43
Sep	18.45	18.72	18.79 18.50
Oct	18.45	18.86	18.74 18.45
Nov	18.20		18.69 18.60
Dec	18.30		18.70 18.65
IPE Index	19.17	18.96	19.17

Turnover 47,146 (34,740)

GAS OIL – IPE \$/tonne

	Close	Previous	High/Low
May	173.50	176.00	175.75 173.25
Jun	173.50	175.50	175.00 173.00
Jul	173.75	175.75	175.00 173.50
Aug	175.00	177.50	176.50 175.00
Sep	176.75	178.75	177.75 176.50
Oct	178.75	180.50	179.50 178.50
Nov	180.00	181.75	180.75 179.50

Turnover 11,622 (9,999) lots of 100 tonnes

COTTON
Liverpool-Spot and shipment sales in Liverpool for the week ending 10 April amounted to 211 tonnes against 186 tonnes in the previous week. Quiet trading persisted with interest being shown in American, Russian and West African growths.

JUTE
April/May: c and f Dundee: BTC \$385, BWC \$n/o, BTD \$360, BWD \$n/o; c and f Antwerp: BTC \$370, BWC \$370, BTD \$350, BWD \$350.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
May	611	610	616 601
Jul	640	637	643 628
Sep	667	664	670 655
Dec	702	699	701 692
Mar	736	734	736 725
May	757	754	752 746

Turnover: 4365 (2783) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Apr 13 761.02 (756.93) 10 day average for Apr.14 762.09 (763.15)

COFFEE – London FOX \$/tonne

	Close	Previous	High/Low
May	798	807	803 796
Jul	819	828	826 817
Sep	839	847	845 837
Nov	858	869	863 857
Jan	878	888	881 878
Mar	895	907	898 894
May	917		917 917

Turnover: 3796 (5230) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Apr.13: Comp. daily 53.63 (55.95) 15 day average 56.14 (56.45)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
May	119.4	117.5	120.0 118.5

Turnover 112 (35) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Aug	121.00	-	121.00
Oct	125.00	-	125.50 125.00

Turnover 35 (0) lots of 20 tonnes.

FREIGHT – London FOX \$10/index point

	Close	Previous	High/Low
Apr	1196	1201	1215 1191
May	1169	1175	1190 1168
Jun	1070	1078	1075 1070
Jul	1054	1068	1070 1050
Oct	1177		1195 1177
Jan	1235		1240 1235
BFI	1163	1151	1163

Turnover 282 (98)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
May	122.30	122.65	123.00 122.25
Jun	124.15	124.45	124.50 124.15
Sep	111.70		111.90 111.70
Nov	114.95	114.85	115.00 114.85
Jan	118.70	118.65	118.90 118.70
Mar	121.80	121.65	121.85 121.75
Barley	**Close**	**Previous**	**High/Low**
May	114.65	-	115.00 114.60
Nov	111.75	-	111.95 111.75

Turnover: Wheat 375 (239). Barley 21 (10).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Apr	127.5		127.0 127.0
Jun	118.0	118.0	117.8 117.5
Jul	112.0		112.4 111.8

Turnover: 14 (7) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity (\$ per tonne)						Total daily turnover 43,171 lots
Cash	1338.5-9.5	1337-8		1342-3		
3 months	1355-6	1363-4	1373/1359	1367.5-8.0	1359-60	182,895 Lots
Copper, Grade A (£ per tonne)						Total daily turnover 31,683 lots
Cash	1241.5-2.5	1245-5.5	1243/1243	1242.5-3.0		
3 months	1272-3	1275-6	1277/1270	1273-3.5	1272-3	109,874 lots
Lead (£ per tonne)						Total daily turnover 4,479 lots
Cash	300.5-1.5	301.5-2.5	301/301	300.5-.75		
3 months	313-3.5	314-4.5	314/313	312.5-3.0	313.5-4.0	17,360 lots
Nickel (\$ per tonne)						Total daily turnover 3,371 lots
Cash	7370-80	7325-35	7360/7356	7360-1		
3 months	7460-5	7435-40	7470/7440	7441-5	7460-5	26,223 lots
Tin (\$ per tonne)						Total daily turnover 2,984 lots
Cash	5820-30	5860-70	5840/5840	5835-40		
3 months	5830-5	5885-70	5860/5825	5845-50	5825-30	7,123 lots
Zinc, Special High Grade (\$ per tonne)						Total daily turnover 21,975 lots
Cash	1300-2	1306-8	1300/1300	1300-1		
3 months	1290-1	1290-1	1291/1290	1290-1	1290-1	54,134 lots

LME Closing £/\$ rate:
SPOT: 1.7720 3 months: 1.7454 6 months: 1.7192 9 months: 1.6983

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (fine oz)	\$ price	£ equivalent
Close	339.00-339.40	
Opening	338.90-339.30	
Morning fix	338.80	191.737
Afternoon fix	339.00	191.829
Day's high	339.40-339.70	
Day's low	338.55-338.85	

Loco Ldn Mean Gold Lending Rates (Vs US\$)

1 month	3.32	6 months	3.29
2 months	3.31	12 months	3.39
3 months	3.31		

Silver fix	p/fine oz	US cts equiv
Spot	231.30	408.50
3 months	237.30	412.60
6 months	243.25	416.80
12 months	254.65	426.50

GOLD COINS
(Prices supplied by Engelhard Metals)

	\$ price	£ equivalent
Krugerrand	339.00-340.00	191.75-192.25
Maple leaf	350.00-351.00	197.75-198.25
New Sovereign	83.00-84.00	46.75-47.25

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price \$ tonne	May	Jun	May	Jun
1200	144	153	3	3
1300	52	68	7	15
1400	6	18	61	65
Copper (Grade A)	**Calls**		**Puts**	
2150	57	68	3	9
2250	5	14	51	55
2350	3	3	145	141
Coffee	**May**	**Jul**	**May**	**Jul**
750	48	77	3	8
800	4	43	6	24
850		21	52	52
Cocoa	**May**	**Jul**	**May**	**Jul**
575	36	69		4
600	12	49	1	9
625	1	32	16	17
Brent Crude	**May**	**Jun**	**May**	**Jun**
1850		53		25
1900		37		45
1950		20		

New York

GOLD 100 troy oz.; \$/troy oz.

	Close	Previous	High/Low	
Apr	339.5	339.2	339.7	339.0
May	339.9	339.7	0	0
Jun	340.8	340.6	341.1	340.1
Aug	342.7	342.5	342.8	342.0
Oct	344.6	344.5	344.7	344.1
Dec	346.7	346.6	346.8	346.2
Feb	349.0	348.9	349.0	349.0
Apr	351.3	351.2	351.4	350.8
Jun	353.8	353.8	0	0

PLATINUM 50 troy oz; \$/troy oz.

	Close	Previous	High/Low	
Apr	346.2	348.2	344.5	344.5
Jul	347.8	347.6	347.7	345.0
Oct	351.4	351.5	352.0	349.5
Jan	351.5	351.6	352.5	349.5
Apr	353.0	353.1	352.0	352.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Apr	410.1	408.5	0	0
May	410.8	409.3	411.5	409.0
Jun	412.4	410.9	410.0	410.0
Jul	413.9	412.4	414.5	412.0
Sep	417.3	415.7	417.5	417.5
Dec	422.2	420.7	422.5	421.0
Jan	423.9	422.4	424.5	424.5
Mar	427.6	426.1	0	0
May	431.4	429.9	0	0
Jul	435.3	433.8	436.0	436.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	99.10	99.20	99.10	99.00
May	99.40	99.35	99.70	99.00
Jun	99.55	99.30	99.75	99.40
Jul	99.85	99.70	100.15	99.65
Aug	99.95	100.00	0	0
Sep	100.05	100.05	100.30	99.95
Oct	100.10	100.10	0	0
Nov	100.10	100.10	0	0
Dec	100.15	100.15	100.40	100.05
Jan	100.05	100.05	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	9.43	9.67	9.70	9.40
Jul	9.21	9.38	9.46	9.15
Oct	8.71	8.91	8.95	8.69
Mar	8.65	8.81	8.84	8.64
May	8.62	8.78	8.78	8.78
Jul	8.69	8.82	8.76	8.76

CRUDE OIL (Light) 42,000 US galls \$/barrel

	Close	Previous	High/Low	
May	19.86	20.22	20.37	19.82
Jun	19.92	20.29	20.45	0
Jul	19.93	20.26	20.41	19.90
Aug	19.90	20.24	20.37	19.85
Sep	19.85	20.18	20.27	19.83
Oct	19.81	20.13	20.18	19.78
Nov	19.77	20.08	20.17	19.75
Dec	19.74	20.04	20.17	19.75
Jan	19.66	19.98	20.02	19.70
Feb	19.59	19.89	19.90	19.62

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
May	5508	5548	5623	5490
Jun	5464	5517	5585	5430
Jul	5453	5520	5570	5440
Aug	5510	5579	5630	5510
Sep	5625	5689	5750	5615
Oct	5725	5789	5820	5789
Nov	5815	5879	5900	5890
Dec	5900	5964	6025	5910
Jan	5920	5964	6020	5980
Feb	5825	5894	5940	5905

COCOA 10 tonnes;\$/tonnes

	Close	Previous	High/Low	
May	960	948	970	942
Jul	1010	990	1014	987
Sep	1051	1031	1053	1027
Dec	1102	1081	1103	1087
Mar	1141	1123	1142	1125
May	1172	1153	1170	1160
Jul	1199	1183	1200	1193
Sep	1226	1209	1228	1225

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	66.10	65.65	66.50	65.30
Jul	68.10	67.90	68.45	67.50
Sep	70.50	70.40	71.00	69.85
Dec	74.00	73.85	74.40	73.50
Mar	78.00	77.75	78.00	77.30
May	80.35	80.30	80.50	80.00
Jul	82.50	84.00	83.00	83.00
Sep	85.25	86.85	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	57.16	57.16	0	0
Jul	59.12	58.12	0	0
Oct	60.85	60.85	0	0
Dec	61.57	61.57	0	0
Mar	63.00	63.00	0	0
May	63.55	63.55	0	0
Jul	63.85	63.85	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	136.50	135.95	137.25	135.50
Jul	133.00	131.45	133.70	131.10
Sep	125.00	124.10	125.75	124.30
Nov	119.75	119.70	120.60	119.50
Jan	119.60	118.95	120.00	119.85
Mar	119.60	119.10	120.60	119.90
May	121.00	119.10	121.00	121.00
Jul	119.60	119.10	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Apr.14	Apr.13	mnth ago	yr ago
1809.6	1823.0	1820.3	1727.3

DOW JONES (Base: Dec. 31 1974 = 100)

	Apr.13	Apr.10	mnth ago	yr ago
Spot	115.92	117.02	119.24	126.27
Futures	119.37	120.32	121.98	128.98

Chicago

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	78.375	78.400	78.400	77.950
Jun	73.525	73.175	73.700	72.650
Aug	69.050	69.125	69.350	68.750
Oct	68.950	68.725	69.175	68.750
Dec	69.125	69.000	69.325	68.800
Feb	68.700	68.800	68.900	68.700
Apr	70.100	70.050	70.150	70.050

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	43.525	43.225	43.700	43.250
Jun	48.200	48.175	48.650	47.875
Jul	46.300	46.525	46.675	46.200
Aug	44.325	44.425	44.550	44.050
Oct	40.900	40.950	41.050	40.800
Dec	42.700	42.850	42.950	42.625
Feb	43.900	44.000	44.100	43.900
Apr	42.350	42.350	0	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	34.675	34.325	35.200	33.950
Jul	34.625	34.275	35.250	33.900
Aug	33.175	32.850	33.650	32.550
Feb	42.750	42.825	42.800	42.375
Mar	42.050	42.125	0	42.050
May	42.800	43.150	43.300	42.800
Jul	44.500	0	0	0
Aug	43.500	0	0	0

There was no trading in soyabeans and products, wheat and maize futures at the Chicago Board of Trade yesterday because of flooding at the exchange.

LONDON STOCK EXCHANGE

Footsie index closes at six-month high

By Steve Thompson

THE FIRST of an expected flurry of post-general election takeover bids in the London market emerged yesterday and helped fuel another determined advance by UK equities.

The FT-SE 100 share index rose 9.5 to 2,600.5, its highest closing level since October 18 last year and a rise of 164.1 since the Tory election victory last Friday.

Hongkong and Shanghai Banking's agreed offer for Midland Bank, worth in excess of £3bn, came as no great surprise to banking specialists although there was disappointment at the terms. Within two hours or so of the announcement it emerged that a big block of Midland shares were being offered around the market.

Although there was no official confirmation it was thought that Hoare Govett had been unsuccessful in attempting to place 60m of the Kuwait Investment Office's 78m stake in *Midland*. The market's disappointment at the terms was reflected in the decline in Midland's share price.

The market opened around five points lower, concerned that any unexpected bad news in the large batch of company reports expected this week could spark off a prolonged bout of profit-taking in leading stocks.

But with no real horrors emerging from yesterday's results and the Hongkong bid being confirmed the market turned upwards and reached a day's high of 2,603.5, or 12.5 firmer, in mid-morning.

Account Dealing Dates		
*First Dealings:		
Apr 6	Apr 27	May 11
Option Declarations:		
Apr 23	May 7	May 28
Last Dealings:		
Apr 24	May 8	May 29
Account Day:		
May 5	May 18	Jun 8

*New-time dealings may take place from 8.30 am two business days earlier.

Thereafter the Footsie traded in a relatively narrow range, with dealers professing slight disappointment at London's reaction to encouraging data on the UK economy, released around midday, and a firm opening by Wall Street. They also mentioned the rally by Tokyo overnight. The US market was moving ahead strongly after London closed.

A 1.1 per cent rise in UK industrial production was well ahead of market expectations, as was the similar rise in manufacturing output, according to market observers. Gilts, under modest pressure *during the* early part of the day, rallied to close modestly higher on balance, helped by another steadfast showing by sterling.

Turnover in equities remained brisk but continued to diminish. Yesterday saw 601.8m shares change hands, compared with Monday's 629.3m and last Friday's 1.345bn.

Stock Exchange figures showed that the value of customer business on Monday totalled £1.22bn, or around half that of last Friday.

Building shares remained in the spotlight with full-year results from RMC coming out ahead of most expectations. The dividend was particularly well received and the shares delivered one the Footsie's best *individual performances*. Taylor Woodrow also came in for strong support despite the lapse into losses for the year. Dealers were bracing themselves for bad news on the dividend front from Tarmac this morning.

A senior marketmaker described the market's performance as encouraging and said it had been a session of consolidation. "Wall Street looks okay, we've closed above 2,500 and there are hints of plenty of bids and rights issues in the pipeline," he said.

Midland bid terms disappoint

TERMS of the agreed takeover of Midland Bank by Hongkong and Shanghai Banking Corporation (HSBC) disappointed the market yesterday. The shares were further weakened by an apparently huge amount of stock waiting to be sold.

The two banks said jointly that HSBC was making a recommended paper offer offer for Midland valuing it at £3.1bn or 378p per share. Analysts had expected an offer well above 400p. The lower than expected offer revived speculation that Lloyds Bank would come in with a higher bid. Potential pressure on Lloyds' balance sheet prompted its shares to slip 5 to 390p.

There was also a strong belief in the market that the Kuwait Investment Office was trying to place 60m Midland shares, a stake of 7.64 per cent through securities house Hoare Govett at 362p – worth £217.2m. The KIO is the only shareholder apart from HSBC with a stake above 5 per cent.

The KIO said it never commented on market talk and Hoare Govett declined to respond to questions.

Market dealers said Hoare was trying to place the shares in an "all or nothing deal" but only managed to pre-place up to a third of them yesterday. They believed the deal was competitively valued and would probably be taken up by arbitrageurs – dealers who trade off relative differences in markets – who would wait to see how HSBC shares would react when they opened in Hong Kong

Midland lost 7 to 365p on heavy turnover of 29m shares.

Hopes that the worst may be over boosted the battered building materials and construction sector, while talk of a possible bid supported Tarmac ahead of today's results. The shares rose 10 to 145p, despite expectations of a very sharp fall from the previous year's profits of £190.7m. Analysts suggested that if this results in a passing of the dividend, it may bring the balloon created by bid speculation down to earth.

RMC climbed 22 to 606p after reporting profits at the top end of market expectations and paying an increased dividend of 20p against 19.3p. The 1991 profit of £167.4m was down from £216.2m, but was viewed favourably when compared with forecasts of £150m to £170m and resulted in analysts upgrading forecasts for the present year. Blue Circle was cheered by the news from RMC, rising 7 to 285p, ahead of today's results.

Taylor Woodrow gained 9 to 129p, as the dividend was held at 9½p on a 1991 loss of £2.7m. The payout followed statements made at the time of last year's rights issue and was regarded as "a matter of honour", but the company said it made no promises for this year. The loss was in line with forecasts and followed a profit of £83.4bn previously.

John Mowlem rose 9 to 157p, despite Monday's announcement of sharply lower profits, after County NatWest said the shares look cheap long term.

Wellcome fell 21 to 1110p on a US press report suggesting that its anti-Aids drug Retrovir (AZT) might soon face competition from rivals. The article said Bristol-Myers Squibb's drug, DDI, which received approval from the Food and Drug Administration (FDA) in October, had emerged in a new study as equal to or better than Wellcome's AZT.

Analysts said an FDA advisory committee would soon meet to discuss Bristol-Myers' DDI as well as aids drug DDC, which is made by the Swiss pharmaceuticals group Roche.

Bid rumours pushed discount food retailer Kwik Save up 15 to 568p, on higher than usual turnover of nearly 1m shares. Hong Kong-based Dairy Farm holds 25 per cent of Kwik Save and is looking to diversify ahead of 1997.

Argyll, the third largest UK supermarket group, eased 3 to 341p but was not regarded as likely to mount a bid in the short-term, while Tesco and J. Sainsbury would probably be prevented by legislation.

Stores group Dixons rose 3 to 242p, continuing to benefit from the general election result. Analysts were impressed by a company presentation, which concentrated on forthcoming technolgy and buying trends.

A positive and in-depth analysis from S.G. Warburg Securities helped lift Pearson despite its already high share price. Warburg recommended buying the shares on weakness and Pearson climbed 11 to 845p.

Bowater, which joined the FT-SE 100 Index two weeks ago, advanced 16 to 769p as the stock returned to favour after a recent downward correction.

Whitbread, hit on Monday by comments from the Office of Fair Trading about beer supply agreements, gained a little relief from news that it is to lease 115 pubs to Devenish, free of tie for eight years. Whitbread "A" improved a penny to 426p, while Devenish rose 3 to 248p.

Cable & Wireless jumped 12 to 570p with sentiment boosted by a BZW buy recommendation and news that the company is to form a joint venture in Russia. Kleinwort Benson, however, was said to be advising investors to switch out of Cables and into Vodafone, 2 better at 358p.

Bid speculation continued in Delta. The shares added 12 to 469p as County NatWest reiterated its buy recommendation.

The market's first cash call since the general election was well received as shares in Laird Group recovered from an early decline to end a penny firmer at 275p. The company which reported a £10.5m fall in its final figures to £28.4m is making a 1 for 5 rights issue to raise £41.4m.

British Aerospace gained 10 to 350p as turnover rose to 5.8m on reports that Saudi Arabia is to put aside a further 200,000 barrels of oil to meet payments under the UK/Saudi al-Yamamah defence pact.

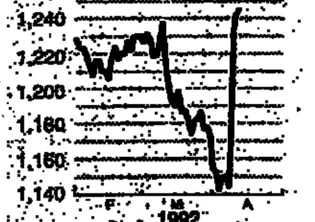
Television company Central put on 20 at 1285p. S.G. Warburg Securities new chart analyst Mr Richard Lake believes the stock is ready to break out of its trading range.

Aviva Petroleum, which recently had a one-for-fifty consolidation of its shares saw its price virtually halved yesterday before rallying to close 38 off at 111p. Marketmakers said they had seen no big sellers in the market and knew of no apparent reason for the falls.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Colin Millham.

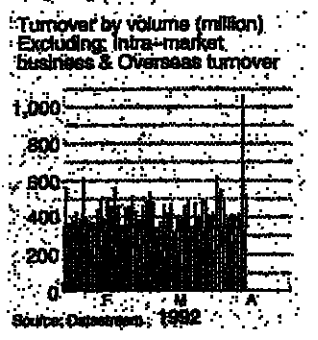
■ Other market statistics, Page 22.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



Source: Datastream

FINANCIAL TIMES STOCK INDICES

	Apr 14	Apr 13	Apr 10	Apr 9	Apr 8	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	88.57	88.61	88.19	86.00	85.61	85.07	88.61 (13/4)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	102.24	102.34	101.75	99.44	99.11	94.67	102.34 (13/4)	97.15 (2/1)	105.40 (28/11/47)	50 53 (3/1/75)
Ordinary Share●	2014.9	2005.5	2001.1	1885.7	1854.7	1985.5	2014.9 (14/4)	1851.4 (3/4)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	114.0	115.7	114.5	112.3	111.5	138.4	160.6 (10/1)	111.5 (8/4)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2600.5	2591.0	2572.6	2436.4	2393.2	2519.5	2600.5 (14/4)	2382.7 (3/4)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1199.46	1194.61	1187.54	1148.42	1145.47	1161.90	1200.08 (4/3)	1120.52 (8/1)	1200.08 (4/3/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.47	4.49	4.49	4.74	4.80	4.86				
●Earning Yld %(full)	6.53	6.54	6.55	6.91	7.00	6.86				
●P/E Ratio(Net)(☆)	19.22	19.16	19.13	18.14	17.92	13.88				
SEAQ Bargns 5.00pm	36,883	40,531	64,444	26,426	24,941	30,305				
Equity Turnover(£m)†	-	1,218.8	2,591.9	870.8	932.3	805.87				
Equity Bargains†	-	48,934	88,937	28,542	27,993	30,948				
Shares Traded (ml)†	-	530.6	1,077.5	419.1	411.4	363.3				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1926, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 17.89

Ordinary Share Index, Hourly changes Day's High 2016.7 Day's Low 2001.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2001.5	2005.0	2007.6	2014.5	2013.8	2014.1	2014.8	2013.9	2014.1

FT-SE 100, Hourly changes Day's High 2603.5 Day's Low 2585.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2585.2	2592.3	2593.5	2602.6	2599.1	2598.9	2599.2	2599.3	2599.1

FT-SE Eurotrack 200, Hourly changes Day's High 1202.41 Day's Low 1196.84

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1197.72	1197.37	1202.17	1200.21	1199.88	1199.65	1199.44

GILT EDGED ACTIVITY

Indices*	Apr 13	Apr 10
Gilt Edged Bargains	169.9	234.8
5–Day average	137.8	118.9

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share index: Tel. 0891 123001 Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

A SQUEEZE on stock index futures sent the June contract on the FT-SE sharply forward to trade at a large premium to the cash market for most of the session, writes Joel Kibazo.

June opened at 2,623 but slipped back due to lack of interest. However, buyers returned sending the contract forward to 2,644, the high of the day, by mid-morning, underpinning the underlying cash market.

Once again, a firm Wall Street had little influence on trading in London during the afternoon session which saw June decline slightly. However, a bid for 100 contracts in the dying minutes of the session sent June ahead. Dealers also talked of independent traders closing short positions towards the end.

June closed at 2,643, up 14 on the previous session and around 21 points above its estimated fair value premium to cash of about 22. Volume was 5,809 contracts. Traders talked of further rises in after hours dealing and they expect a strong opening on the cash market tomorrow.

Traded options were busy and turnover reached 41,545 contracts. Volume in both the index contracts was heavy. The FT-SE 100 option traded 13,365 lots while the Euro FTSE option reached 6,789.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (146).
BRITISH FUNDS (1) Ex. 3pc Gas '90-95, OTHER FIXED INTEREST (3) Birmingham 11½pc 2012, Leeds 13½pc 2006, Manchester 11½pc 2007, AMERICANS (1) Abbott Labs., BANKS (1) Midland, BUILDING MATERIALS (14) BPB, Blue Circle, Do. 7¾pc Prf., Evered Bardon, Hepworth, Ibstock Johnsen, Lafarge, Marley, RMC, Redland, Roskel, Sharpe & Fisher, Steetley, Worcester, CHEMICALS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tuesday April 14 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1992 to date	Mon Apr 13 Index No.	Fri Apr 10 Index No.	Thu Apr 9 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (179)	846.72	+1.3	7.31	5.58	17.87	10.84	836.04	829.29	784.93	866.19
2 Building Materials (22)	1070.32	+2.6	5.98	5.92	23.33	10.30	1043.18	1029.43	948.57	1125.24
3 Contracting, Construction (28)	967.63	+1.7	6.80	6.49	22.52	9.16	951.26	934.91	853.17	1378.11
4 Electricals (8)	2490.41	+1.2	7.43	5.92	17.49	20.97	2461.15	2459.99	2367.10	2432.50
5 Electronics (29)	1853.17	+0.2	9.71	4.57	13.06	3.46	1848.96	1821.88	1763.95	1824.80
6 Engineering-Aerospace (7)	371.34	+0.6	9.78	6.98	13.04	9.52	369.28	364.80	345.03	454.97
7 Engineering-General (44)	509.85	+2.0	8.24	4.63	15.04	6.61	499.76	491.77	470.95	454.84
8 Metals and Metal Forming (8)	330.13	+1.7	1.89	10.49	-	0.32	324.59	322.93	315.71	437.75
9 Motors (14)	334.78	+0.5	7.83	7.02	16.78	6.43	333.12	334.01	307.80	350.19
10 Other Industrial Materials (19)	1726.59	+0.8	6.89	4.90	17.75	32.10	1712.80	1714.39	1634.61	1534.73
21 CONSUMER GROUP (188)	1695.18	+0.2	7.13	3.35	17.20	11.64	1692.09	1678.67	1591.48	1467.02
22 Brewers and Distillers (24)	2133.96	+0.3	7.57	3.41	15.91	16.70	2141.03	2135.62	1973.56	1785.04
25 Food Manufacturing (17)	1260.63	+0.2	8.69	4.16	14.35	17.10	1258.50	1253.79	1218.49	1203.64
26 Food Retailing (18)	2723.49	+0.1	8.47	3.20	15.28	6.04	2721.27	2688.38	2586.94	2805.54
27 Health and Household (24)	4334.60	+0.3	6.31	2.44	18.10	23.22	4321.93	4295.77	4153.56	3245.35
29 Hotels and Leisure (20)	1369.86	+0.2	6.62	4.98	19.19	15.37	1367.29	1350.71	1247.18	1351.68
30 Media (25)	1568.36	+0.6	6.16	3.50	20.27	13.93	1559.09	1560.97	1478.63	1498.49
31 Packaging, Paper & Printing (17)	793.78	+1.4	6.75	4.16	17.48	9.89	782.65	767.70	728.85	673.29
34 Stores (33)	1087.29	+0.3	6.79	3.33	19.56	2.45	1084.45	1063.92	988.79	927.56
35 Textiles (10)	703.76	+0.2	6.77	4.41	18.68	2.94	703.17	697.18	648.76	537.13
40 OTHER GROUPS (116)	1268.23	+0.7	9.54	5.20	13.21	13.44	1259.06	1249.48	1164.37	1214.84
41 Business Services (17)	1379.30	+1.3	7.25	4.58	17.62	11.81	1362.26	1342.04	1260.00	1214.32
42 Chemicals (22)	1513.26	+0.3	6.84	4.81	17.92	23.59	1508.16	1507.14	1456.15	1265.32
43 Conglomerates (11)	1418.56	+2.2	10.04	7.09	12.18	9.10	1388.50	1376.42	1311.92	1520.48
44 Transport (14)	2485.10	+0.6	5.08	4.57	26.48	26.14	2471.48	2448.88	2269.38	2181.34
45 Electricity (16)	1248.62	+0.5	14.07	5.95	9.27	17.23	1242.47	1250.24	1105.96	1180.25
46 Telephone Networks (4)	1418.43	+0.5	11.05	4.42	11.82	16.02	1411.45	1385.09	1305.38	1453.10
47 Water (10)	2699.72	+0.2	15.80	5.89	6.97	0.00	2694.94	2696.84	2219.82	2523.76
48 Miscellaneous (22)	1945.28	+0.7	6.16	5.06	21.52	20.93	1931.70	1919.11	1838.72	1994.74
49 INDUSTRIAL GROUP (483)	1347.44	+0.6	7.91	4.34	15.82	12.27	1340.03	1329.50	1255.99	1243.21
51 Oil & Gas (17)	2051.33	+0.2	7.61	6.93	17.34	41.53	2048.01	2027.24	1995.71	2445.53
59 500 SHARE INDEX (500)	1415.13	+0.5	7.88	4.60	15.96	14.49	1407.93	1396.54	1322.49	1344.90
61 FINANCIAL GROUP (87)	705.63	+0.3	-	6.42	-	15.02	703.36	703.06	651.59	833.92
62 Banks (9)	900.53	+0.3	5.27	6.06	30.13	22.89	897.84	897.78	826.95	934.11
65 Insurance (Life) (6)	1409.76	+0.1	-	6.13	-	43.02	1408.74	1447.73	1312.02	1571.20
66 Insurance (Composite) (7)	472.69	+1.3	-	7.36	-	9.16	466.82	471.93	425.85	685.15
67 Insurance (Brokers) (10)	913.77	-2.0	8.43	7.34	15.66	20.48	932.44	941.63	914.29	1183.78
68 Merchant Banks (7)	461.75	+0.4	-	4.49	-	4.25	459.69	448.81	413.89	425.75
69 Property (33)	636.70	+0.7	9.03	7.14	15.16	3.43	632.44	624.87	613.98	1010.49
70 Other Financial (15)	239.87	+0.1	8.36	7.21	15.72	3.12	239.72	238.81	221.62	289.53
71 Investment Trusts (70)	1185.50	+0.2	-	3.75	-	10.96	1183.48	1184.35	1127.18	1214.62
99 ALL-SHARE INDEX (657)	1246.82	+0.5	-	4.78	-	14.27	1240.85	1232.15	1163.91	1219.96

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Apr 13	Apr 10	Apr 9	Apr 8	Apr 7	Year ago
FT-SE 100 SHARE INDEX♦	2600.5	+9.5	2603.5	2585.2	2591.0	2572.6	2436.4	2393.2	2404.2	2519.5

FIXED INTEREST

PRICE INDICES	Tue Apr 14	Day's change %	Mon Apr 13	Accrued interest	xd adj. 1992 to date
British Government					
1 Up to 5 years (27)	121.90	+0.05	121.84	1.51	4.04
2 5-15 years (25)	137.49	+0.09	137.68	1.31	5.10
3 Over 15 years (9)	149.75	+0.07	149.64	2.51	2.78
4 Irredeemables (6)	167.05	-0.40	167.71	3.96	1.50
5 All stocks (67)	135.23	+0.07	135.31	1.55	4.53
Index-Linked					
6 Up to 5 years (2)	168.91	-0.18	169.21	0.16	1.83
7 Over 5 years (9)	145.52	-0.38	145.88	0.51	1.64
8 All stocks (11)	147.45	-0.35	147.96	0.45	1.65
9 Debs & Loans (62)	119.74	-0.07	119.82	2.31	3.41

AVERAGE GROSS REDEMPTION YIELDS		Tue Apr 14	Mon Apr 13	Year ago (approx.)
British Government				
1 Low	5 years	8.43	8.26	9.18
2 Coupons	15 years	9.20	9.02	9.61
3 (0%-7¾%)	20 years	9.13	9.09	9.73
4 Medium	5 years	9.31	9.32	10.25
5 Coupons	15 years	9.46	9.07	10.04
6 (8%-10¾%)	20 years	9.04	9.04	9.99
7 High	5 years	9.55	9.57	10.39
8 Coupons	15 years	9.17	9.18	10.21
9 (11%-)	20 years	9.11	9.11	10.15
10 Irredeemables		9.25	9.21	9.99
Index-Linked				
11 Inflation rate 5%	Up to 5 yrs.	3.97	3.94	3.75
12 Inflation rate 5%	Over 5 yrs.	4.54	4.52	4.10
13 Inflation rate 10%	Up to 5 yrs.	1.35	1.32	2.84
14 Inflation rate 10%	Over 5 yrs.	4.34	4.34	3.90
15 Debs &	5 years	10.57	10.61	11.86
16 Loans	15 years	10.43	10.42	11.64
17	25 years	10.34	10.33	11.43

♦Opening index 2585.2; 9 am 2592.3; 10 am 2593.5; 11 am 2602.6; Noon 2599.1; 1 pm 2598.9; 2 pm 2599.2; 2.30 pm 2598.0; 3 pm 2599.3; 3.30 pm 2598.4; 4 pm 2599.1; 4.10 pm 2600.3; (a) 11.06am (b) 8.35am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
3pc 1992		99 7/32	—	99 7/32	97 31/32	3.02	7.75
Exch 12¼pc 1992		100 31/32	—	101¼	100 13/32	12.18	9.88
13½pc 1992		101 7/32	-1/16	102¼	101 1/32	13.21	9.87
Treas 8¼pc 1993		98 13/32	—	98 13/32	97 13/32	8.34	9.49
10pc 1993‡‡		100 11/32	—	100½	99 11/32	9.97	9.60
12½pc 1993‡‡		103 7/32	—	103 27/32	101 21/32	12.11	9.70

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 10½pc 1999		106 7/32xd	+7/32	106 13/32	101 13/32	9.89	9.27
Conversion 10¼pc 1999		105⅛	+7/32	105 13/32	100 13/32	9.76	9.27
9pc 2000‡‡		99 13/32	+7/32	99 13/32	94⅝	9.05	9.07
Treas 13pc 2000		119 13/32	+1/16	120 7/32	114 13/32	10.86	9.46
10pc 2001		104 13/32	+1/16	105 13/32	99 13/32	9.53	9.15
14pc '98-01		119⅝	+7/32	120 1/32	115 13/32	11.70	9.63
9¾pc 2002		104 7/32	+1/16	104½	98⅝	9.37	9.11
Conv 9pc Ln 2011 ‡‡		99 13/32	+1/16	100⅛	93 13/32	9.02	9.00
9pc 2011 B		99 13/32	+1/16	100 13/32	93 13/32	9.02	9.00
Treas. 9pc 2012		99 15/32	—	99 13/32	93 13/32	9.43	8.99
Treas 5½pc 2008-12‡‡		67 13/32	+1/16	68 1/32	62⅞	8.13	8.96
7¾pc 2012-15‡‡		87 13/32	+1/16	87 13/32	81 13/32	8.86	9.04
Exch 12pc '13-'17		127⅝	+⅛	128 7/32	120⅛	9.48	9.05
Undated							
Consols 4pc		42 7/32	-1/32	43	39⅞	9.40	—
War Loan 3½pc‡‡		38⅛	-1/32	38 7/32	35 7/32	9.18	—
Conv 3½pc '61 Aft		61½	-⅛	62	59	5.69	—
Treas 3pc '66 Aft		31 7/32	-1/16	31⅞	29 13/32	9.60	—
Consols 2½pc		26⅞	-1/32	27 7/32	24 13/32	9.38	—
Treas. 2½pc		26 13/32	-1/32	27	24 13/32	9.37	—

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int. (1)	Yield Red. (2)
Index – Linked	(b)						
Treas. 2pc '94	(102.9)	124¼xd	-⅛	124 13/32	122⅞	2.60	3.95
2pc '96	(67.9)	179 13/32	-⅛	181 13/32	176⅛	3.34	4.00
2½pc '01	(78.3)	143 13/32	-⅛	147⅛	143	4.13	4.48
2½pc '03	(78.8)	139 7/32xd	-⅛	142 13/32	138 7/32	4.22	4.52
2pc '06	(69.5)	139⅞	-⅛	144	139 7/32	4.34	4.57

ANNOUNCEMENTS

MIDLAND BANK v

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Data source: Chief Executives in Europe 1990.

FT SURVEYS

PUBLIC NOTICES

THE VENEZUELA HIGH INCOME FUND N.V.

DIVIDEND NOTICE

Consistent with the autorization granted by the Board of Supervisory Directors on April 7, 1992, notice is hereby given that the Fund's Managing Director has declared a distribution of U.S.$0.32 per share, payable on April 15, 1992 to common shareholders of record at the close of business on March 31, 1992, in the case of shares held in registered form, or upon presentation of coupon number 3 attached to the common share certificate to the Fund's Paying Agent (on or after April 15, 1992), in the case of common shares held in bearer form.

By Order of the Managing Director

Managing Director and Location of Principal Office
Curacao Corporation company N.V.
De Ruyterdade 62, P.O. Box 812
Willemstad, Curacao
Netherlands, Antilles

Administrator, Register, Transfer and Paying Agent
Cititrust (Bahamas(Limited
Thompson Boulevard
P.O. Box N1576
Oakes Fields
Nassau, Bahamas

Investment Manger
Scudder, Stevens & Clark, Inc.

AMERICANS

	Notes	Price £	+ or -	1992 high	1992 low	Mkt Cap £m	Yld Gr's
Abbott Labs		37⅛xd	+3/16	37⅛	34	15,788	1.8
♥Allegheny & W		248p	-14	335p	226p	128.9	6.8
Amdahl		836p	+21	1168p	815p	928.0	0.7
Amer Cyanamid		35½	+⅛	37	32¼	3,310	2.4
Amer Express		12¼xd	+3/32	13⅞	10 13/16	6,020	4.4
Amer T & T		23⅝xd	-⅛	24	20¼	31,226	3.1
Ameritech		33½	+⅛	36 11/32	32½	14,687	5.8
BankAmerica		23⅝xd	+1/16	26⅝	19 1/16	5,167	3.1
Bankers NY		29 3/16xd	-3/16	37¼	28⅞	2,485	3.4
Bell Atlantic		23½	+⅛	26¼	23⅛	9,241	6.2
BellSouth		25	-¼	29⅛	25	12,167	6.2
♥Bethlehem Steel		7½xd	-1/16	9⅝	7	672.8	–
Bowater		1288pxd	-8	1578p	1078p	468.8	5.2
CPC		48⅜xd	+⅛	51⅛	45 1/16	3,782	2.7
California Engy		666p	—	833p	646p	121.3	–
Campbell Soup		19 3/16	-1/16	23 3/16	19	4,823	2.3
Chase Manhattan		12 13/16xd	-1/16	14 11/16	9⅛	1,881	5.3
Chrysler		10⅛xd	+3/16	10⅝	6¼	2,959	3.3
Citicorp		9xd	+⅛	10 7/16	5⅜	3,116	–
Colgate-Palm		27 3/16xd	+⅛	28⅞	25¼	4,269	2.2
Cont'l Bank		992p	+21	997p	499p	1,002	3.4
Dana		21⅝xd	—	23⅛	14 3/16	888.0	4.2
Data General		517p	-8	1004p	509p	142.7	–
Dial		21 13/16xd	+3/16	24⅛	19⅜	888.0	2.9
Dun & Brad		30¼	+¼	33½	28⅞	5,487	4.0
Eaton		42¼	-⅜	45½	32½	1,488	2.9
Echlin		9¼xd	—	11	7⅜	544.5	4.0
FPL		18 13/16xd	—	19 13/16	18⅛	3,218	7.1
Fluor		21 13/16xd	-3/16	27	21	1,788	1.0
Ford Motor		22¾xd	+⅛	23 7/16	15	10,769	2.5
Gen Elect		42⅝xd	-½	45¼	40 1/16	38,833	2.7
♥General Host		583p	+14	555p	360p	–	4.0
Gillette		28⅝xd	+⅞	29⅞	26⅝	6,259	1.2
Hasbro	h	15	+½	16	12⅜	1,290	0.5
Honeywell		40⅜xd	-⅜	43	34⅜	2,819	2.3
Houston Inds		24⅛	—	24¾	23	3,110	6.9
IBM		49½xd	+¼	54½	46¾	28,320	5.5
Ingersoll-Rand		33 13/16xd	-11/16	38 1/16	28 3/16	1,769	2.2
Lockheed		25¾	+⅛	26½	22⅝	1,616	4.4
Lowe's		2174p	+62	2478p	1631p	791.6	1.4
Merrill Lynch		28 13/16xd	+3/16	39 13/16	27¼	2,969	2.0
Morgan (JP)		38¾xd	-⅞	37½	29 7/16	5,807	4.0
Morris (Philip)		44¼xd	+½	45 7/16	41⅛	40,967	2.7
NYNEX		40⅞	+⅛	44⅝	39⅝	8,290	6.4
♥Pac Agric		52p	—	52p	28p	–	–
Pall		14⅛	-⅛	17 13/16	10 3/16	1,239	1.4
Pennzoil		25 7/16xd	—	39¼	25⅜	1,029	6.6
Quaker Oats		29½xd	+3/16	40 7/16	26 13/16	2,204	3.3
Rockwell		13 7/16xd	-11/32	15 13/16	13 7/16	3,045	3.9
Rep NY		22⅜	-¼	26 7/16	22⅜	1,164	2.5
Sears, Roebuck		25½xd	-3/16	28	19 3/16	8,774	4.4
Sthwestern Bell		34	+⅝	35⅞	32⅛	10,194	4.8
Sun Co		19⅛xd	-⅛	18⅞	15⅛	1,603	6.8
Tenneco		20 13/16xd	+3/32	23⅛	16½	2,548	4.4
Texaco		33⅝xd	+3/16	35⅛	30 13/16	8,802	5.4
Time Warner		56¼xd	-⅜	62⅛	46½	5,193	1.0
♥Unilab		459p	—	587p	459p	428.4	–
Utd Tech		30 7/16xd	-3/16	31½	27	3,702	3.3
♥Utditech		122p	—	122p	66p	–	–
♣URS Intl. 1c		0¾p	—	1¼p	0⅛p	2.38	–
US West		19⅛	+¼	21 11/16	18⅞	7,840	6.2
Varity		744p	—	885p	632p	185.7	–
Waste Manage		21 13/16xd	+3/16	26	20 13/16	10,312	1.1
Whirlpool		2586pxd	-8	2701p	2021p	1,797	2.4
♥Woolworth		15 3/16	+3/16	18¼	14⅛	2,029	3.9

CANADIANS

	Notes	Price £	+ or -	1992 high	1992 low	Mkt Cap £m	Yld Gr's
♥Abbot Energy		2p	—	2p	1¾p	–	–
Amer Barrick		1407p	-9	1642p	1376p	1,921	0.3
Bk Montreal		21⅛	+¼	23¼	20	2,636	5.4
Bk Nova Scot		997p	+23	1176p	932p	2,817	4.7
♥BC Gas		813p	—	870p	780p	–	4.0
BCE		21½	-⅛	24½	21½	6,695	7.2
♥Brascan		782p	-6	957p	774p	644.9	7.2
♥Breakwater		30p	—	33p	6p	19.1	18.0
Can Imp Bk		1355p	+23	1810p	1332p	2,503	5.3
Can Pacific		818p	+6	938p	798p	2,885	0.3
4pc Deb		36	—	37	35	16.8	11.1
♥Derlan		281p	-4	338p	253p	–	5.4
♥Echo Bay		341p	-5	488p	341p	358.5	1.4
♥ECO		28p	—	42p	12p	–	–
Granges		52½p	+2½	68½p	48½p	11.4	–
♥Gulf Can		370pxd	+12	374p	219p	589.9	5.8
♥Hawker Sid		12	—	12⅝	10¾	98.3	4.9
♥Hudson's Bay		1414p	+16	1607p	1365p	422.3	3.1
♥Imperial Oil		19⅛xd	—	20½	18⅛	3,787	5.1
Inco		16xd	+⅛	19¼	13¾	1,780	3.4
♥Int Corona		344p	—	358p	334p	666.7	1.5
♥Muscocho		3p	—	4 7/16p	2p	–	–
♥N A Tire Recycling		49p	—	59p	34½p	1.72	–
Nova Corp Alberta		346pxd	-1	425p	319p	1,037	3.8
♥Rio Algom		858p	+24	919p	702p	371.8	5.1
Royal Bk Can		1128p	+11	1418p	1113p	3,475	5.6
♥TVX Gold		168p	+6	194p	151p	27.2	–
♥Tam Pure		1½p	—	4¼p	1½p	–	–
Toronto-Dom		794p	+6	844p	763p	2,390	5.4
♥Trans Can Pipe		782p	-1	880p	776p	1,288	5.0

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BUILDING MATERIALS - Cont.

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CONGLOMERATES

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CONTRACTING & CONSTRUCTION - Cont.

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STORES - Cont.

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WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

	Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's
Kenmare		4¼	—	6½	3½	4.08	–
‡Navan Res I£		25	—	26	16	3.95	–
Northgate Expl C$	s	36	–2	46¾	36	4.54	–
North West Expl A$		3	—	6	2	1.01	–
Oryx Gold S		84	—	180	51	–	–
‡Ovoca Res I£		6	—	11	5½	0.42	–
Plateau		8	—	13	8	3.84	–
RTZ	q	592	+4	682	469	5,925	4.4
‡Vizcaya		1	—	3	1	8.53	–
¥Western & Pac C$		31	+2½	39	7	17.8	–
‡Young Grp		25	+1	110	4	3.76	13.9

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- \# Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement
- ♣ Unregulated collective investment scheme

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Subject to local tax. z Dividend yield includes a special payment. E Minimum tender price. F Yield based on prospectus or other official estimates for 1990-91. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1991. K Yield based on prospectus or other official estimates for 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1991-92. N Yield based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

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AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd Uxbridge Middx UB8 1RZ 0895 259783

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	117.5	118.8	125.1	+0.70	0.00
AIB Grofund Equity	5	176.8	178.8	189.2	-0.30	2.40
AIB Grofund Euro	5	133.2	135.1	142.2	-1.00	0.71
AIB Grofund Gilt	3	72.09	72.10	74.35	-0.68	6.57
AIB Grofund Japan	5	102.0	103.1	108.6	+1.30	0.00

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
Gilts & Fixed Int	6	119.5	119.5	126.7	-0.4	8.17
High Inc Equity	6	125.4	128.3	136.4	+0.1	6.23
Worldwide Bond	6	217.2	217.2	230.3	+0.2	6.18
Capital Growth						
American Growth	6	202.8	202.8	216.8	+0.8	1.03
Asian Pacific	6	135.7	135.7	145.1	+0.7	1.47
Assets & Earnings	6	185.9	185.8	198.7	+0.2	3.07
Capital Reserve Acc	0	114.1	114.1	114.2	+0.1	7.86
Capital Reserve Inc	0	84.42	84.42	84.45	+0.09	7.96
Comdty & Energy	6	65.01	65.01	69.52	+0.20	1.52
1992 Enterprise	6	68.09	68.09	72.82	-0.32	2.99
Euro Capital Acc	6	90.12	90.12	96.38	-0.61	1.08
Euro Capital Inc	6	85.35	85.35	91.28	-0.58	1.10
General	6	171.8	171.8	183.7	-0.2	3.16
Japan	6	71.62	71.62	76.59	+1.08	-
Mastertrust	6	87.25	87.25	93.31	+0.23	2.52
UK Growth Acc	6	163.0	170.7	181.5	+0.7	2.53
UK Growth Dist	6	102.9	107.8	114.6	+0.5	2.59
US Emerging Cos	6	75.56	75.56	80.61	+0.29	-
Income & Growth	6	303.4	303.4	324.4	+0.5	4.32
Ethical	6	53.14	55.46	58.96	+0.09	3.09
International	6	54.50	60.35	64.20	+0.21	1.65
Dividend & Growth	6	47.49	48.61	51.71	+0.19	5.80
Global Gwth & Sec	6	53.64	53.93	57.37	-0.02	2.68

Aberforth Unit Trust Managers Ltd (1600)F
16 Chester St, Edinburgh EH3 7RA 031 220 0733

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Small Cos	0	1029.0	1029.0	1089.0	.1	-

Brewin Dolphin Unit Tst Mgrs Ltd (0905)F
5 Giltspur St, London EC1A 9DE 071-236 6441

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Dolphin Special Sits	5½	112.1	112.1	119.8	+1.3	1.71
Dolphin Dividend	5½	59.87	59.87	64.03	-0.4	5.84
Dolphin Int Gth & Inc	5½	157.6	157.6	168.5	-0.5	4.37
Dolphin UK & Gen	5½	37.16	37.16	39.74	-0.36	2.12
Dolphin Fund of Funds	5½	46.22	48.22	51.57	+0.2	1.84

Britannia Life Unit Managers Ltd (1200)F
190 West George St, Glasgow G2 2PA 041-332 3132

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced Growth	6	79.40	80.74	86.36	+0.68	2.87
Do (Accum)	6	85.69	87.14	93.20	+0.74	2.87
Smaller Cos	6	64.48	64.48	68.96	+0.56	1.87
Do (Accum)	6	68.48	68.48	73.24	+0.59	1.87
Higher Yield	6	31.96	31.96	34.18	+0.26	5.25
Do (Accum)	6	42.07	42.07	44.99	+0.34	5.25
American Gth Inc	6	39.75	39.75	42.51	-0.29	0.00
Do (Accum)	6	40.50	40.50	43.32	-0.30	0.00
European Growth	6	84.57	84.57	90.45	-0.08	2.15
Do (Accum)	6	84.57	84.57	90.45	-0.08	2.15
Global Bond Inc	6	23.21	23.29	24.91	-0.92	5.16
Do (Accum)	6	27.81	27.91	29.85	-1.10	5.16
Managed P'folio Inc	6	26.90	26.97	28.85	-0.11	0.00
(Do Accum)	6	26.90	26.97	28.85	-0.11	0.00
Pacific Growth Accum	6	63.80	63.80	66.23	-0.06	-
Int Sec Gen Accum	5½	60.50	60.50	64.70		0.85

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412262

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd P'folio Inc	6	76.05	76.05	80.99		2.57
Mngd P'folio Acc	6	141.2	141.2	150.4		-
UK General	6	117.2	117.2	124.8	-0.10	4.06
Conv & General	6	16.72	16.72	17.81	+0.12	8.86
European Inc	6	20.39	20.39	21.96	-0.17	0.51
European Acc	6	20.95	20.95	22.55	-0.18	-
Financial	6	86.34	86.34	91.95	-0.28	2.09
Foundation	6	60.02	61.59	65.59	+0.25	4.28
German	6	36.26	36.26	38.84	-0.38	0.10
Growth Inc	5	24.48	24.54	26.13	+0.03	3.54
Growth Acc	5	27.86	27.92	29.74	+0.04	-
High Income	6	57.90	57.90	61.95	+0.15	6.43
Income	6	96.41	96.41	103.00	+0.60	5.26
Intl Income	6	75.15	75.15	80.03	-0.02	6.02
Intl Growth	6	26.71	26.71	28.45	-0.19	0.28
Monthly Income	6	55.57	57.70	61.45	+0.35	5.48
North American	6	81.30	81.30	86.99	+0.11	0.25
Orient	6	74.53	74.53	80.20	+0.31	-
Recovery	6	27.71	27.71	29.51	+0.11	4.00
Smaller Cos Acc	6	188.1	188.1	200.3	+0.20	-
Smaller Cos Inc	6	111.5	111.5	118.7	+0.20	1.94

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 - 379 - 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5	286.4	286 4	305 4	+1.1	0.76
(Accum Units) ♥	5	337.1	337 1	359 5	+1.3	0.76
British	5	805 7	822.9xd	870 7	+4 4	5.74
(Accum Units)	5	1351.2	1380.0	1460.2	+7.4	5.74
European	5	339 4	337 4	353 7	-1 7	1.42
(Accum Units)	5	361 4	361.4	383.4	-1.9	1.42
Japan	5	91.21	91.21	97.06	+0.22	-
(Accum Units)	5	91.94	91.94	97.86	+0.23	-
New Pacific	5	193 0	193.0	206.0	....	1.67
(Accum Units)	5	198.2	198.2	211 6	....	1.67
PEP Apr 14	5	153.1	154.7	163.7	+12.4	3.74
Mngd Equity	5	125 5	126 8	134.2	+0 4	2.80
Mngd Equity Acc	5	133 2	134.5	142.4	+0 4	2.80
Mngd Cash	0	95.62	95 62xd	95.62	...	9.63
(Accum Units)	0	120.1	120.1	120.1	...	9.63
Majority Stlg	1	99.69	99.69xd	100 69	....	9.48
Majority Stlg Acc	1	110.56	110.56	111.67	....	9 48

Storebrand Intl Inv Mngrs Ltd (1200)F

M & G Securities Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Charibond Apr 13	106.39		+0.6	10.13
(Accum Units)	644.01		+3.5	10.13
NAACIF Apr 7	39.50		....	9 61

Morgan Grenfell Investment Funds Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity † Apr 14	132.8	142.4	+10.1	1.90
UK Small Co † Apr 14	509.1	540.1	+26.7	3.58
Fixed Interest † Apr 14	112.4	118.3	+1.6	8 46
US Small Co Apr 14	163 1	174.5	-4 1	0.00
Managed Apr 14	109.3	117 0	+4.3	3.40
Intl Bond Apr 14	118.3	124.7	+0 4	10.32
Japan Apr 14	58.14	61.98	-0.5	4.73
European Apr 14	90.72	97.160	-3.1	1.74
Nth American Apr 14	117.3	126.3	-2.7	1.23

Murray Johnstone UT Mngmt
Murray Exempt Funds

Allied Dunbar Assurance Plc
Ser 4

	Bid Price
Fixed Int Dep Acc	27.7
Equity Acc	27.2
Property Acc	22.9
Far East Acc	21.6
European Acc	22.7
Managed Acc	27.1
Overseas Acc	28.6
Gilt Acc	30.4
Am Equity Acc	27.4
Am Managed Acc	26 6
Am Property Acc	21 4
High Income Acc	24.6
High Income Ser 2	24 6
Pension Funds	
F.I. Dep. Cap	367.5
F.I. Dep. Acc	605 4
Prop. Cap	498 0

INSURANCES

OTHER UK UNIT TRUSTS

Henderson Administration(z)
3 Finsbury Ave, London, EC2 M2PA 071-638 5757

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity	308 8	328 6	+2.8	-
Fixed Interest	67 90	72.3	+0 6	-
N. America	274 0	291.5	+4 4	-
Far East	339 1	360.8	-0 6	-
Global Managed	324 5	345.3	+0 5	-
Deposit	205.4	216.3	..	-
Prime Res	133 9	141 0		-
European	188.1	200 2	-2.4	-
Pension Funds				
UK Equity	335 2	356 7	+2.8	-
Fixed Interest	230.8	245 6	+1.8	-

Lifetime Assurance Co Ltd
Bank Hse, St John's Rd, Harrow HA1 2EE 081-861 5999

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Security	112 1	118 0		-
Managed Growth	120 1	126.5	..	-
Managed Opportunity	109 2	115 0		-
Property	114 0	120 0		-
Fixed Interest	118 5	124 8		-
Cash	114 4	120 5	....	-
UK Equity	104 9	110.5		-
Intl Equity	119 4	125 7	..	-
Pension Funds				
Managed Security	114 1	120.2		-

NEL Britannia Assce Co Ltd
Milton Court, Dorking Surrey 0306 880077

	Bid Price	Offer Price	+ or -	Yield Gross
Capital Growth	124 2	130.7	+0 3	-
Managed Income	110.6	116 4	+2 4	-
Cap Grwth Ser B	107.7	113 4	+0.2	-
Mngd Income Ser B	113.3	119.3	+2 4	-
Broker Managed				
PAM Global Growth Fd.	116 5	116.5	-0 4	-
PAM Growth Fund	102.8	108 2	-0 2	-
Multichoice Investment Funds				
Managed Bldg Soc	126 8	133 5		-
Deposit	148 8	156 6	-0 1	-

Continued on next page

FT MANAGED FUNDS SERVICE

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Norwich Union Life Insurance Soc.–Contd.

Provident Mutual Life Assc. Assn.–Contd.

Scottish Amicable

Sun Alliance Group

Wesleyan Assurance Society

Providence Capitol International Ltd – Contd.

J. D. Ward Financial Services Ltd

Rothschild Asset Management – Contd.

Royal Bank of Canada Funds

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

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		Bid Price	Offer Price	+ or –	Yield Gross
CMI Fund Managers (IoM)					
Clerical Medical Hse, Douglas, IoM 0624 625599					
High Income	5	0.4816	0.4816	0.5070	10.38
CMI Core Portfolio Fund					
UK	5	£– 1.0353	1.1007		–
USA	5	£– 1.0518	1.1150		–
Japan	5	£– 0.4559	0.4812		–
Equity & Law Intl Fund Mngrs Ltd					
Victory Hse, Prospect Hill, Douglas IoM 0624 677877					
Total Income Fd	5	95.83	96.06	102.10	-0.08 10.2
Gartmore Fund Managers (IoM)					
PO Box 32, Douglas IoM 0624 627610					
Intl Grth	5¼	479.9	479.9	514.3	0.9
Leopold Joseph Fund Mngrs (IoM) Ltd					
PO Box 52 Athol St Douglas IoM 0624 661020					
LJ International	5¼	93 11	93.11	100.1	-0.30 –
Mercury Fund Managers IoM Ltd					
11 Hill Street, Douglas IoM 0624 662255					
Merc IoM Fund	5	102.6	102.6	109.5	+0.18 7.0
Merc Intl Bond	5	50.16	50.16	52.72	-0.01 8.5
Sun Life Management (IoM) Ltd					
PO Box 178, Douglas, IoM 0624 622444					
Secure High Income	6	1.0384	1.0384	1.1131	8.08
Unibank Scandinavian Fund Ltd					
23 Bucks Road, Douglas, IoM 06246 26484					
Scandinavia Fd	5	–	136.87	145.92	-1.84 1.0

ISLE OF MAN (REGULATED)(**)

	Bid Price	Offer Price	+ or –	Yield Gross
ATC Fund Management (SG) Ltd				
SG International		$10.65		–
CMI Fund Mngrs (IOM)				
Traders Fund Ltd H*	$17.23	18.63		–
*Dealings Wednesday				

	Bid Price	Offer Price	+ or –	Yield Gross
Espirito Santo Investment Mgmt (SICAV)				
Southern European Fd	$8.52		+0.11	–
ECU Bond	Ecu107.22		-0.12	–
Eurosa Management S.A.				
Eurosa Fd NAV Apr 2	Ecu26.40			–
Europe Plus Investissement (SICAV) (u)				
NAV Apr 10	Ecu153.57		-0.10	–
Europe Value Fund (u)				
NAV		$10.29	+0.03	–

	Bid Price	Offer Price	+ or –	Yield Gross
Alliance Capital				
International	$14 28	15 11	-0 06	–
International Class B	$14 15	14 15	-0.06	–
Quasar	$21.18	22.41		–
Quasar Class B	$20 96	20.96	-0 01	–
Global Small Cap	$10 47	11.08	..	–
Global Small Cap Class B	$10 36	10.36	..	–
Canadian Fd	$5 06	5.35	+0 03	–
Alliance International Currency Reserves				
US$ Reserves Apr 7–Apr 13 0 000087327 (2.91%)				
Asian Convertibles & Income Fd (Cayman)				
NAV Apr 09		$10 12		

	Bid Price	Offer Price	+ or –	Yield Gross
Global Asset Management – Contd.				
GAM Overseas	$137.01			–
GAM Pacific	$522 48			–
GAM Restructuring	$148 76			–
GAM Selection	$505 63		+4.65	–
GAM Singapore/Malaysia	$241.21			–
GAM SFr Special Bond	SFr108.35		+0 60	–
GAM Tokyo Fonds	DM96 72			–
GAM Tyche	$260 56			–
GAM U S	$215 10			–

	Bid Price	Offer Price	+ or –	Yield Gross
Orbis Investment Management Ltd				
Orbis Global Eqty	$12 54	13.18	...	–
Orbis Optimal Eqty	$17 79	18.69		–
Orbis Leveraged Eqty	$19 80	20 93		–
* Prices on Apr 9 Next Pricing Apr 16 Weekly Pricing				
Orbitex Bahamas Ltd				
Orbitex Nat Res Fd	C$7 6041	8 3645	..	–
Orbitex Growth Fund	$6 9212	7 6133		–
ORIENT Growth Fd				
NAV		$9 10	-0 08	–

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling holds centre stage

STERLING was riding high yesterday on the back of better than expected UK statistics, *reports Peggy Hollinger*.

February manufacturing output, forecast to have been flat, jumped by 1.1 per cent.

This helped sterling to nudge the DM2.92 level in the morning, although it closed 50 points down at DM2.9125, due to profit-taking late in the day. Traders said, however, that a strong underlying demand remained for sterling.

Demand was fuelled by the strong market sentiment that British authorities would not rush to cut rates, at least not before sterling moved above DM2.95. This is the point at which sterling moves into the narrow band of the exchange rate mechanism.

Noises coming from European central bankers meeting in Basle helped to reinforce this view on UK rates, said Dr Gerard Lyons, economist with DKB International.

The Committee of European Central Bankers had supported the Bundesbank's efforts to maintain a tight monetary policy, encouraging the view that German rates would remain high for some time to come. Since German monetary policy is often cited as the key to European rate moves, the "message for sterling is that rates will remain firm", said Dr Lyons.

The D-Mark slowed its slide against other currencies supported by the views on stable German rates.

The currency held steady against the yen at Y80.45 per D-Mark and fell just one pfennig against the dollar to close at DM1.6445.

The dollar had an uncertain day, with depressed retail sales figures bringing a recent strong run of economic indicators to an end. The market was beginning to take the view that economic recovery in the US would be sluggish, said Dr Lyons. This was likely to be reflected in further statistics due out this week, such as industrial production.

Dollar trading was muted ahead of the Easter weekend, said Mr Nick Parsons of CIBC.

He added that there was no incentive to have a strategic position on the dollar vs D-Mark, given the uncertainty surrounding events in Russia.

The yen continued to enjoy a measure of stability despite the Nikkei's troubles. The markets appear to be taking the view that Japanese banks will have to repatriate foreign assets to meet capital requirements. Although this is not yet happening, said Dr Lyons, the market view was having some effect. The yen closed slightly stronger in London at Y132.75 against the dollar, compared with Y133.25.

Within the ERM, sterling kept its distance from the floor at the expense of the Danish Kroner. The peseta continued to rise on the coat tails of sterling, and strengthened against the D-Mark from Pta 62.62 to Pta 62.57.

£ IN NEW YORK

Apr 14	Close	Previous Close
£ Spot	1.7630-1.7640	1.7620-1.7627
1 month	1.03-1.02pm	0.96-0.94pm
3 months	2.76-2.73pm	2.71-2.66pm
12 months	9.12-9.02pm	9.05-8.95pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Apr 14	Previous
8.30 am	91.7	91.5
9.00 am	91.7	91.6
10.00 am	91.8	91.7
11.00 am	91.8	91.6
Noon	91.9	91.6
1.00 pm	91.9	91.6
2.00 pm	91.9	91.6
3.00 pm	91.8	91.7
4.00 pm	91.8	91.7

CURRENCY MOVEMENTS

Apr 14	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.8	-19.8
U.S Dollar	64.6	-13.6
Canadian Dollar	101.6	-1.9
Austrian Schilling	110.1	+12.3
Belgian Franc	111.5	-2.0
Danish Krone	108.8	+2.8
D-Mark	118.4	+24.8
Swiss Franc	104.6	+12.3
Dutch Guilder	114.3	+16.0
French Franc	103.6	-12.5
Lira	98.7	-20.1
Yen	138.7	+72.1
Peseta	108.0	-18.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Apr.13

CURRENCY RATES

Apr 14	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.779187	0.703216
U.S Dollar	3.50	1.37098	1.24350
Canadian $	7.49	1.62667	1.47031
Austrian Sch	7.50	15.9198	14.4270
Belgian Franc	8.50	46.2774	42.1732
Danish Krone	9.50	8.72423	7.94532
D-Mark	8.00	2.26458	2.04990
Dutch Guilder	8.50	2.55071	2.30793
French Franc	10¼	7.66104	6.94120
Italian Lira	12	1704.29	1541.31
Japanese Yen	3.75	182.203	165.136
Norway Krone	-	8.81472	8.03236
Spanish Peseta	-	141.872	128.243
Swedish Krona	10.00	8.13402	7.41062
Swiss Franc	7.00	2.08389	1.89638
Greek Drach	19	263.455	239.485
Irish Punt	-	0.845238	0.768349

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Apr 13

OTHER CURRENCIES

Apr 14	£	$
Argentina	1.7485 - 1.7515	0.9900 - 0.9910
Australia	2.3030 - 2.3050	1.3020 - 1.3030
Brazil	3840.05 - 3842.60	2174.10 - 2174.30
Finland	7.9190 - 7.9415	4.4900 - 4.4930
Greece	339.990 - 341.070	192.550 - 192.650
Hong Kong	13.6420 - 13.6550	7.7285 - 7.7305
Iran	2541.00*	1435.00*
Korea(Sth)	1362.75 - 1384.70	775.70 - 784.90
Kuwait	0.51935 - 0.52000	0.29400 - 0.29450
Luxembourg	59.90 - 60.00	33.80 - 33.90
Malaysia	4.4940 - 4.5055	2.5470 - 2.5490
Mexico	5334.20 - 5346.10	3062.75 - 3063.75
N Zealand	3.2370 - 3.2415	1.8310 - 1.8335
Saudi Ar	6.5770 - 6.6535	3.7495 - 3.7505
Singapore	2.9180 - 2.9255	1.6530 - 1.6550
S Af (Cm)	5.0740 - 5.0860	2.8735 - 2.8750
S Af (Fn)	6.0140 - 6.0755	3.4015 - 3.4365
Taiwan	44.65 - 45.10	25.25 - 25.35
U.A.E	6.4400 - 6.5170	3.6715 - 3.6735

*Floating rate. Iran Official rate £117.05 $67.05

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Apr 14	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.243	-4.03	5.57	69
Portuguese Escudo	178.735	176.138	-1.45	2.81	23
Belgian Franc	42.4032	42.1732	-0.54	1.87	31
Dutch Guilder	2.31643	2.30793	-0.37	1.69	22
D-Mark	2.05586	2.04990	-0.29	1.61	24
Irish Punt	0.767417	0.768349	0.12	1.20	-1
Italian Lira	1538.24	1541.31	0.20	1.12	-5
French Franc	6.89509	6.94120	0.67	0.65	-32
Sterling	0.696904	0.703216	0.91	0.41	-19
Danish Krone	7.84195	7.94532	1.32	0.00	-56

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Apr 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7610 - 1.7720	1.7710 - 1.7720	1.02-1.00cpm	6.84	2.73-2.70pm	6.13
Canada	2.0855 - 2.0940	2.0900 - 2.0910	0.72-0.63cpm	3.87	1.80-1.69pm	3.34
Netherlands	3.2705 - 3.2850	3.2750 - 3.2850	⅜-¼cpm	1.14	⅞-⅝pm	0.91
Belgium	59.70 - 60.05	59.90 - 60.00	8-5cpm	1.30	16-11pm	0.90
Denmark	11.2575 - 11.3125	11.3025 - 11.3125	⅞-⅛orepm	0.53	¼-parpm	0.13
Ireland	1.0895 - 1.0925	1.0915 - 1.0925	par-0.03cdis	-0.16	0.03-0.02pm	0.09
Germany	2.9055 - 2.9170	2.9100 - 2.9150	¼-⅛pfpm	0.77	⅝-⅜pm	0.69
Portugal	249.05 - 250.85	249.85 - 250.85	20-7cpm	0.65	46-102dis	-1.18
Spain	181.90 - 182.40	181.90 - 182.30	23-33cdis	-1.85	85-102dis	-2.05
Italy	2184.90 - 2191.50	2190.50 - 2191.50	2-4liredis	-1.64	8-10dis	-1.64
Norway	11.3735 - 11.4340	11.4175 - 11.4275	⅝-⅛orepm	0.39	⅝-⅛pm	0.13
France	9.8410 - 9.8820	9.8625 - 9.8725	⅝-¼cpm	0.53	⅞-½pm	0.28
Sweden	10.4980 - 10.5500	10.5275 - 10.5375	⅞-1¼oredis	-1.21	2½-3¼dis	-1.07
Japan	234.10 - 235.75	234.75 - 235.75	1¼-1⅛ypm	6.06	3⅜-3⅛pm	5.53
Austria	20.43 - 20.53	20.48 - 20.51	2⅞-1⅝gropm	1.35	5¼-3pm	0.79
Switzerland	2.6735 - 2.6850	2.6750 - 2.6850	½-⅜cpm	1.96	1¼-1⅛pm	1.77
Ecu	1.4190 - 1.4240	1.4210 - 1.4220	0.10-0.05cpm	0.63	0.11-0.05pm	0.23

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.18-5.13pm. 12 Month 9.13-9.03pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Apr 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7610 - 1.7720	1.7710 - 1.7720	1.02-1.00cpm	6.84	2.73-2.70pm	6.13
Ireland†	1.6160 - 1.6215	1.6200 - 1.6210	0.92-0.89cpm	6.70	2.55-2.48pm	6.21
Canada	1.1810 - 1.1840	1.1810 - 1.1820	0.30-0.33cdis	-3.20	0.82-0.86dis	-2.84
Netherlands	1.8495 - 1.8595	1.8510 - 1.8520	0.88-0.91cdis	-5.80	2.49-2.53dis	-5.42
Belgium	33.80 - 33.95	33.80 - 33.90	15.50-17.00cdis	-5.76	45.00-48.00dis	-5.49
Denmark	6.3775 - 6.4030	6.3800 - 6.3850	3.05-3.35oredis	-6.02	9.40-10.00dis	-6.08
Germany	1.6425 - 1.6525	1.6440 - 1.6450	0.82-0.83pfdis	-6.02	2.31-2.33dis	-5.64
Portugal	141.35 - 141.80	141.35 - 141.45	73-83cdis	-6.62	245-262dis	-7.17
Spain	102.85 - 103.45	102.90 - 103.00	70-73cdis	-8.33	213-218dis	-8.37
Italy	1235.50 - 1241.85	1236.50 - 1237.00	8.50-9.00liredis	-8.49	24.10-25.10dis	-7.96
Norway	6.4450 - 6.4710	6.4450 - 6.4500	3.10-3.40oredis	-6.05	9.50-10.10dis	-6.08
France	5.5625 - 5.5950	5.5675 - 5.5725	2.93-2.98cdis	-6.37	8.30-8.40dis	-6.00
Sweden	5.9370 - 5.9720	5.9425 - 5.9475	3.87-4.12oredis	-8.06	10.75-11.20dis	-7.38
Japan	132.65 - 133.15	132.70 - 132.80	0.07-0.08ydis	-0.68	0.19-0.21dis	-0.60
Austria	11.5800 - 11.6150	11.5800 - 11.5850	5.35-5.85grodis	-5.85	15.10-16.30dis	-5.42
Switzerland	1.5100 - 1.5200	1.5120 - 1.5130	0.61-0.64cdis	-4.96	1.73-1.77dis	-4.63
Ecu	1.2410 - 1.2465	1.2456 - 1.2465	0.66-0.64cpm	6.26	1.89-1.83pm	5.97

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Apr 14	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10⅞ - 10⅝	10⅞ - 10⅝	10⅝ - 10½	10½ - 10⅜	10⅜ - 10¼	10¼ - 10⅛
US Dollar	4 - 3⅞	4⅛ - 4	4 1/16 - 3 15/16	4⅛ - 4	4¼ - 4⅛	4⅝ - 4½
Can. Dollar	6¾ - 6½	6⅞ - 6⅝	6⅞ - 6¾	6⅞ - 6¾	7 - 6 13/16	7 1/16 - 6⅞
Dutch Guilder	9 5/16 - 9 3/16	9 5/16 - 9 3/16	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼
Swiss Franc	8⅝ - 8⅜	8⅝ - 8⅜	8 11/16 - 8 9/16	8 11/16 - 8 9/16	8½ - 8⅜	8 5/16 - 8 3/16
D-Mark	9 11/16 - 9 9/16	9 11/16 - 9 9/16	9 11/16 - 9 9/16	9 11/16 - 9 9/16	9⅝ - 9½	9 9/16 - 9 7/16
French Franc	10 - 9⅞	10 - 9⅞	10 - 9⅞	10 1/16 - 9 15/16	10 1/16 - 9 15/16	10 - 9⅞
Italian Lira	12 - 10	12¼ - 11¾	12¼ - 11¾	12¼ - 11¾	12¼ - 11⅞	12⅛ - 12
Belgian Franc	9⅜ - 9¼	9 7/16 - 9 5/16	9 7/16 - 9 5/16	9 7/16 - 9 5/16	9 7/16 - 9 5/16	9⅜ - 9¼
Yen	4⅞ - 4 11/16	4 11/16 - 4⅝	4¾ - 4 11/16	4 11/16 - 4⅝	4 11/16 - 4⅝	4 11/16 - 4⅝
Danish Krone	10¼ - 10	10¼ - 10	10¼ - 10	10¼ - 10	10¼ - 10	10¼ - 10
Asian $Sing	3⅛ - 3	3 5/16 - 3 3/16	3⅜ - 3¼	3⅜ - 3¼	3½ - 3⅜	3⅞ - 3¾
Spanish Peseta	12⅛ - 11⅞	12⅛ - 11⅞	12 5/16 - 12 3/16	12 5/16 - 12 3/16	12 5/16 - 12 3/16	12 5/16 - 12 3/16

Long term Eurodollars: two years 5½-5⅜ per cent; three years 6¼-6⅛ per cent; four years 6 11/16-6 9/16 per cent; five years 7 1/16-6 15/16 per cent nominal. Short term rates are call for US Dollars and Japanese Yen, others, two days' notice.

EXCHANGE CROSS RATES

Apr.14	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.772	2.913	235.3	9.868	2.680	3.280	2191.	2.091	59.95	1.422
$	0.564	1	1.644	132.8	5.569	1.512	1.851	1236	1.180	33.83	0.802
DM	0.343	0.608	1	80.78	3.388	0.920	1.126	752.1	0.718	20.58	0.488
YEN	4.250	7.531	12.38	1000.	41.94	11.39	13.94	9312	8.887	254.8	6.043
F Fr.	1.013	1.796	2.952	238.4	10.	2.716	3.324	2220	2.119	60.75	1.441
S Fr.	0.373	0.661	1.087	87.80	3.682	1	1.224	817.5	0.780	22.37	0.531
N Fl.	0.305	0.540	0.888	71.74	3.009	0.817	1	668.0	0.638	18.28	0.434
Lira	0.456	0.809	1.330	107.4	4.504	1.223	1.497	1000.	0.954	27.36	0.649
C$	0.478	0.847	1.393	112.5	4.719	1.282	1.569	1048	1	28.67	0.680
B Fr.	1.668	2.956	4.859	392.5	16.46	4.470	5.471	3655	3.488	100.	2.372
Ecu	0.703	1.246	2.049	165.5	6.940	1.885	2.307	1541	1.470	42.16	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS [illegible]

LIFFE BUND FUTURES OPTIONS [illegible]

LIFFE EUROMARK OPTIONS [illegible]

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS [illegible]

LIFFE SHORT STERLING OPTIONS [illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

PARIS

[illegible]

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7715	1.6705	1.7443	1.7199	1.6807

BASE LENDING RATES

[illegible]

Bank of Scotland	10.5	● Guinness Mahon	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Hambros Bank	10.5	TSB	10.5
Barclays Bank	10.5	Hampshire Trust Plc	13.5	Unibank plc	10.5
Benchmark Bank	11	Heritable & Gen Inv Bnk.	10.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	● Hill Samuel	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	C. Hoare & Co.	10.5	Western Trust	10.5
CL Bank Nederland	10.5	Hongkong & Shanghai	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Julian Hodge Bank	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	● Leopold Joseph & Sons	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	Lloyds Bank	10.5		
Co-operative Bank	10.5	Meghraj Bank Ltd	10.5		
Coutts & Co	10.5				

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

UK rates firm

RATES firmed slightly across the board, despite sterling's steady climb against the D-Mark.

The markets were increasingly pessimistic about the prospects of a rate cut and marked the key three-month interbank rate up from 10⅜ per cent yesterday to 10½ per cent. "Even though the currency continued to strengthen ... the market will wait until sterling is closer to the central rate [of the EMS] before it goes bananas about a rate cut," said one trader.

The June short sterling contract on the futures exchange held steady at its opening level of 89.81, implying a base rate of 10.19 per cent. This was a touch higher than the rate implied by the 89.85 level at last night's close.

The rates were pushed firmer, partly by the large shortage left in the market at the end of the day.

Market players had opposing views as to the motives behind the shortage. Some suggested the Bank of England had deliberately refrained from generous market operations to dampen Monday's brief enthusiasm over a rate cut.

However, those in the discount houses said the Bank had been prepared to take all the paper that was offered. The problem had been that traders were either not prepared or unable to sell the bills. One suggested that market players might be holding on to bills to get maximum profits from the forthcoming four-day Easter weekend, when the Bank might have to hold on to paper for a bit longer.

The initial forecast for a shortage of £1.65bn was revised to £1.75bn.

The central bank made an early round of offers with £249m taken up by the market. The Bank purchased bands one, three and four bills, and band four local authority paper at rates of 10⅜, 10 5/16, and 10 1/16 per cent. Later dealings resulted in £264m assistance, comprised of band one and four bank bills at 10⅜ and 10 1/16 per cent. A nominal repurchase agreement of £14m falling due on May 5 was pitched at 10 7/16 per cent.

The Bank took just £491m of the shortage out after lunch, while late assistance of £360m left the market with an estimated £390m shortage.

In Germany, call rates held firm at 9.65 per cent despite the injection of emergency funds by the Bundesbank. In the US, Federal funds traded at 3¾ per cent, on par with the new presumed target.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Apr.14) 3 months US dollars		6 months US Dollars	
bid 4	offer 4⅛	bid 4⅛	offer 4¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4pm					
Prime rate	6½	One month	3.67	Three year	5.64
Broker loan rate	6	Two month	3.57	Five year	6.59
Fed. funds	3¾	Three month	3.70	Seven year	6.99
Fed. funds at intervention	-	Six month	3.85	10-year	7.33
		One year	4.09	30-year	7.87
		Two year	5.10		

Apr 14	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfort	9.60-9.70	9.60-9.70	9.60-9.70	9.60-9.70	9.55-9.65	9.75
Paris	9⅞-10	9 13/16-9 15/16	9⅞-10	9⅞-10	9⅞-10	9.60
Zurich	6⅞-7⅛	8⅛-8⅜	-	8⅛-8⅜	-	-
Amsterdam	9.12-9.25	9.28-9.35	-	9.38-9.43	-	-
Tokyo	4 13/16-4 15/16	4 11/16-4⅞	-	4 13/16-4 15/16	-	-
Milan	12⅛-12⅜	12⅛-12½	-	12⅜-12 11/16	-	-
Brussels	9.25-9.37	9⅜-9⅞	-	9 7/16-9 9/16	-	-
Dublin	10⅛-10¼	10 3/16-10 5/16	10⅛-10½	10⅛-10½	10⅜-10⅝	-

LONDON MONEY RATES

Apr 14	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	12	10⅞	10⅝	10⅝	10⅜	10¼
Interbank Bid	10½	10½	10½	10½	10¼	10⅛
Sterling CDs	-	-	10 13/16	10 7/16	10⅜	10⅜
Local Authority Deps.	10½	10½	10½	10⅜	10⅜	10⅛
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	11¼	10½	-	-	-	-
Company Deposits	-	-	10⅝	10½	10⅜	10¼
Finance House Deposits	-	-	10⅝	10½	10⅜	10¼
Treasury Bills (Buy)	-	-	10¼	9 13/16	9⅝	-
Bank Bills (Buy)	-	-	10 7/32	10 1/32	9 23/32	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	4.07	4.10	4.20	4.57
SDR Linked Dep. Offer	-	-	6½	6⅝	6¾	6¾
SDR Linked Dep. Bid	-	-	6⅜	6½	6⅝	6⅝
ECU Linked Dep. Offer	-	-	9⅞	10 1/16	10⅛	10⅛
ECU Linked Dep. Bid	-	-	9¾	9 15/16	10	10

Treasury Bills (sell): one-month 10⅛ per cent; three months 9 23/32 per cent; six months 9⅝ per cent. Bank Bills (sell): one-month 10 3/32 per cent; three months 9 31/32 per cent; Treasury Bills; Average tender rate of discount 9.7668 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day March 31, 1992. Agreed rates for period Apr 26, 1992 to May 25, 1992, Scheme I: 11.77 p.c., Schemes II & III: 11.84 p.c. Reference rate for period Feb 29, 1992 to March 31, 1992, Scheme IV&V: 10.643 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from April 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

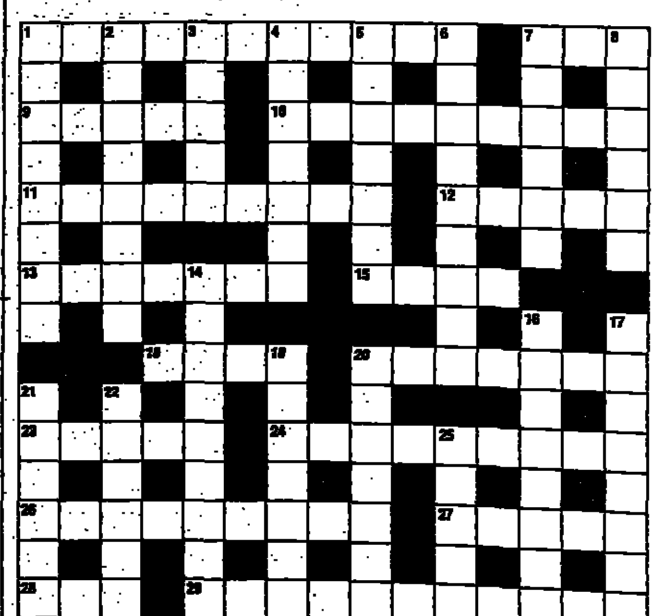
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

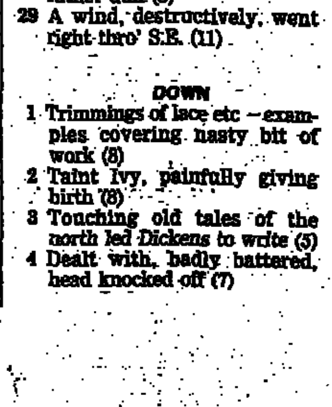
No.7,825 Set by FETTLER



ACROSS
1 A nunnery charges for the niceties (11)
7 Is able to preserve (3)
9 What's located is seen by audience (5)
10 Spots locos etc, with this result (9)
11 Promotes lawyers (9)
12 Dwarf show (5)
13 Came in – penetrated perhaps – no longer apt (7)
15 For example, it's way out! (4)
18 Lean against a barrel (4)
20 Suffer, being short of vitality (7)
23 Praise the late return of destiny (5)
24 Rolling mini-fag (French)? D'accord (9)
26 Mixed benidicite, nothing for it but obedience (8)
27 Dragon skips on water (5)
28 From behind, this cap is rather dull (3)
29 A wind, destructively, went right thro' S.E. (11)

DOWN
1 Trimmings of lace etc – examples covering nasty bit of work (8)
2 Taint Ivy, painfully giving birth (8)
3 Touching old tales of the north led Dickens to write (5)
4 Dealt with, badly battered, head knocked off (7)
5 Disregard a poem in Old English (7)
6 Compensated, if one's restituted in full (9)
7 Yes-men give tongue audibly (6)
8 A number fell in Tyne, and in excellent taste too (6)
14 Nonconformist leads hero in insurrection (9)
16 Device placed in heart of activity's reduced (8)
17 Prolixity is having turn in lounger, more or less (8)
19 Footwear for the coach (7)
20 One shelf designed to excarnate (7)
21 Touching harbour, such as manifest is required (6)
22 Pour mater's tipple (6)
25 Crest of bird, a bit exclusive (5)

Solution to Puzzle No.7,824



WORLD STOCK MARKETS

AUSTRIA

April 14	Sch.	+ or −
Austrian Airlines	2,340	+20
Creditanstalt Pf	520	−2
EA General	3,525	+30
EVN	831	+1
Jungbunzlauer	13,700	+400
OeMV	900	+1
Perlmooser Zement	1,640	+10
Radex Heraklith	560	....
Reininghaus Brue	1,601	+5
Steyr Daimler	227	+2
Veitscher Magnesit	349	+2
Verbund (Br) A	524	+2
Wienerberger	4,600	+30
Z-Laenderbank	1,040	+25

BELGIUM/LUXEMBOURG

April 14	Frs.	+ or −
ACEC-Union Min	2,220	+20
AG Group	1,995	+20
Arbed	4,040	+10
BBL	3,400	+10
Bank Intl a Lux	12,000	....
Bang Gen Lux Pts	12,250	....
Barco	1,188	+8
Bekaert	12,375	+200
CBR Ciment	8,060	+10
Cobepa	5,080	+50
Cobepa AFV 1	4,955	+5
Cockerill Priv	152	+1
Colruyt	4,690	−60
Delhaize Frs Lion	9,210	+180
Electrabel	4,880	+45
Electrabel AFV	4,850	+20
Electrafina ACT	2,520	+10
GBL	3,185	−15
GBL AFV 1	3,130	....

FRANCE (continued)

April 14	Frs.	+ or −
Bongrain	2,900	....
Bouygues	617	−2
CGIP	1,220	+17
C M B Packaging	190.50	−0.80
Canal+	1,115	+4
Cap Gemini S	326.30	−0.20
Carrefour	2,680	+16
Casino	168.50	−0.50
Cetelem	784	−1
Chargeurs	1,148	−12
Club Mediterranee	530	+4
Cogifi	350.10	....
Coparex	650	....
C C F	186.70	....
Cr Fonc France	998	+5
Cred Lyon (CI)	637	+31
Credit Nationale	1,110	−7
Damart	2,855	−45
Docks de France	418	....
Dollfus Mieg Cie	313	+2.90
EBF	888	+3
Eaux Cie Genl	2,305	+28
Ecco	454	+4
Elf-Aquitaine	376.70	−0.30
Elf-Aquitaine Certs	261.50	+1.50
Essilor Int	429	+5.60
Etex	1,950	+5
Eurafrance	1,600	−6
Eurocom	396	−4
Euro Disney	139.50	−0.40
Exor	1,443xd	....
Finextel	118.60	−1.40
Fonc Lyonnaise	685	−5
From C et Auv	3,100	....
GTM-Entrepose	380	+2.50
Gal. Lafayette	1,890	+10

INDICES

NEW YORK

DOW JONES	Apr 14	Apr 13	Apr 10	Apr 9	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	3306.13	3269.90	3255.37	3224.96	3306.13 (14/4)	3172.41 (2/1)	3306.13 (14/4/92)	41.22 (2/7/32)
Home Bonds	99.68	99.44	99.29	99.05	99.81 (6/2)	98.41 (20/3)	99.81 (6/2/92)	54.99 (1/10/81)
Transport	1365.47	1337.26	1347.35	1338.56	1467.68 (20/2)	1301.57 (8/4)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	205.18	203.93	204.12	203.12	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

◆Day's High 3336.54 (3283.54) Low 3259.39 (3230.77)

STANDARD AND POOR'S

	Apr 14	Apr 13	Apr 10	Apr 9	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite †	412.39	406.08	404.29	400.64	420.77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	491.73	484.13	482.02	477.54	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.36	33.75	33.56	33.37	35.14 (15/1)	32.40 (8/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	227.31	224.16	223.27	221.10	231.85 (15/1)	217.92 (8/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	392.14	388.89	388.01	385.94	418.99 (12/2)	380.90 (8/4)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	594.81	588.15	584.24	586.75	644.92 (12/2)	573.68 (8/4)	644.92 (12/2/92)	54.87 (31/10/72)

	Apr 10	Apr 3	Mar 27	year ago (approx.)
Dow Industrial Div. Yield	2.85	2.85	2.86	3.45

	Apr 8	Apr 1	Mar 25	year ago (approx.)
S & P Industrial div. yield	2.70	2.64	2.62	2.88
S & P Indl. P/E ratio	27.95	28.56	28.78	17.95

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
IBM	3,317,100	88¼	+ ⅜
Ford Motor	3,266,800	41	+ ⅛
Texas Utilities	2,821,300	37½	- ⅜
Gen Motors	2,690,900	39⅞	+ ⅞
Amer T & T	2,640,000	42½	+ ¼
Chicorp	2,211,700	16⅝	+ ⅛
Banc One	2,102,700	45⅝	- 1½
FST Data	2,069,300	23¼	+ ⅞
Glaxo	2,038,700	28¾	+ ½
RJR Nabisco	1,971,400	9⅝	+ ¼

TRADING ACTIVITY

† Volume (Millions)	Apr 14	Apr 13	Apr 10
New York SE	232.058	143.635	199.450
Amex	18.928	13.073	14.290
NASDAQ	(u)	138.019	179.521
NYSE			
Issues Traded	2,234	2,235	2,222
Rises	1,229	966	1,201
Falls	516	784	523
Unchanged	489	485	498
New Highs	63	23	24
New Lows	11	18	24

...NYSE All Common – 50; Standard and Poor's – 10; and ... Toronto indices based 1975 and Montreal Portfolio 4/1/... Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

Euro Top-100 (26/6/90) 934.30 928.77 929.91

**Saturday April 11. Taiwan Weighted Price 4487.62, Korea Comp ... ‡ Subject to official recalculation.
Base values of all indices are 100 except Austria Traded, BEL20, HEX ... and DAX – 1,000. JSE Gold – 255.7, JSE 26 Industrials – 264.3 and ... Closed. (u) Unavailable. † Correction.

TOKYO - Most Active Stocks

Tuesday 14 April 1992

	Stocks Traded	Closing Prices	Change on day
TEAC	7.5m	1,040	+69
Hitachi	5.1m	815	-4
Suzuki Motor	3.7m	717	+36
Okamoto	3.7m	1,180	+120
Meiji Milk Prod	3.7m	775	+45
Dowa Mining	3.5m	572	+46
Toshiba	3.3m	599	+2
Nippon Carbon	3.1m	651	+100
NEC	2.9m	994	+10
Toyo Ink	2.8m	640	+71

4:00 pm prices April 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅝	12¾	AAR Corp	0.48	3.4	16	136	14	13¾	13⅞	
26	20⅝	A L Labs A	0.18	0.8	107	168	23	22¼	22½	-⅛
68¼	56	AMP Inc	1.52	2.5	24	2635	60	59¼	59¾	+1¼
80¼	67⅛	AMR			24	10572	70¼	67¼	69⅞	+2⅝
2⅛	1⅛	ARX			2	188	2¼	2⅛	2⅛	+⅛
53½	43⅛	ASA	2.75	6.3	12	224	44	43⅝	43⅝	-⅛
68⅞	58¼	Abbott Lab x	1.20	1.8	28	6017	67⅞	65⅝	67¼	+1⅝
13⅞	12⅛	Abitibi Pr x	0.43	3.4	12	15	12½	12⅜	12½	+⅛
11⅝	10⅛	ACM Gvt In x	0.96	9.4		290	10⅜	10¼	10¼	-⅛
10⅜	9⅛	ACM GvOpp x	0.80	8.6		137	9⅜	9¼	9¼	-⅛
9½	8½	ACM Gvt Sp	0.80	9.4		250	8⅝	d8½	8½	
11¼	10⅛	ACM Gvt Se	0.96	9.2		273	10⅜	10¼	10⅜	+⅛
9⅞	8⅝	ACM Man x	0.95	10.5		193	9	8⅞	9	
12⅞	10¾	ACM MgdD x	1.08	10.0		38	11	d10¾	10¾	-¼
11¾	7	Acme Cleve	0.40	4.7	16	55	8⅝	8⅜	8½	-⅛
6¼	4½	Acme Elect			4	50	5⅞	5⅜	5¾	+⅜
33¾	18⅞	Acuson			13	1636	21⅛	20⅞	21⅛	+⅛
19½	18⅛	Adams Expr	0.48	2.6	0	90	18⅝	18½	18⅝	+⅛
15½	13	Adobe I2Pt	2.40	17.0		10	14¼	14⅛	14⅛	-⅜
5⅜	4½	Adobe Res			2	22	5⅛	5	5	
49⅛	40½	Ad Micro	3.00	7.0		535	42¾	41¾	42½	+1
21½	16⅜	Ad Micro P	3.00	17.3	7	1473	17⅝	16¾	17⅜	+¾
9⅛	5	Advest Grp	0.16	2.3	29	401	7	7	7	
71⅜	67⅛	Aegon ADR	1.50	2.2	62	100	68¾	68¼	69	
47	38	Aetna LI	2.76	6.3	9	1753	44¼	43⅝	43⅝	-⅜
12	8⅛	Affil A	0.24	2.3	10	1220	10⅜	10¼	10⅜	
32⅝	24½	Aflac	0.40	1.4	15	2155	28½	27½	28	+½
19⅞	15⅛	Ahmanson	0.88	5.2	8	2561	16¾	16⅜	16¾	+⅛
22½	16	Aileen Inc			14	111	17½	17¼	17¼	

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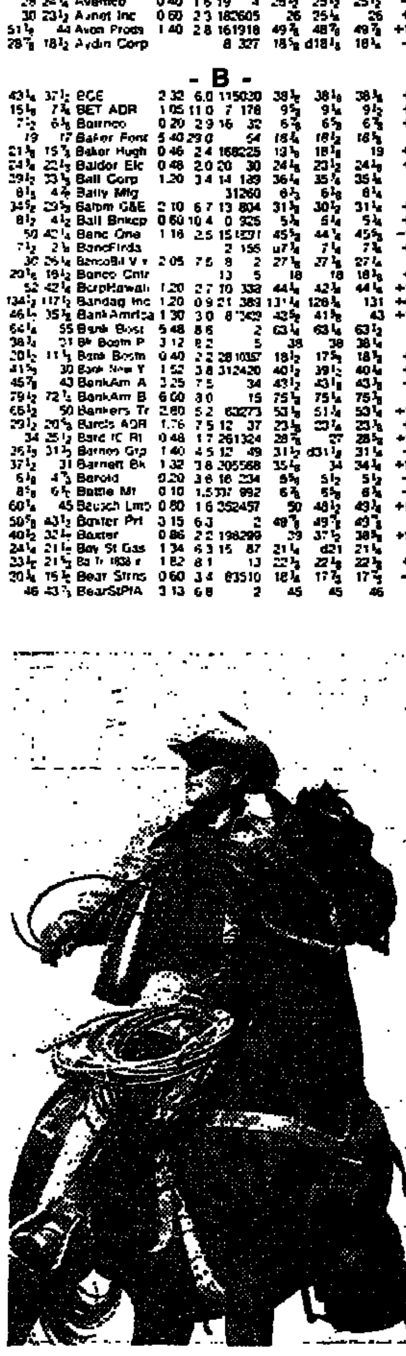


Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

82¼	66½	Xerox	3.00	4.0		193104	75⅜	74¼	74⅞	+⅝
53½	50½	Xerox4.125				2	52	52	52½	+½
28½	24⅞	Xtra 1.94	1.94	7.1		z100	27	27	27¼	+¼
37	28½	Xtra Corp	0.80	2.3	14	205	35	34⅞	34½	
27	25¼	Yankee Egy	1.60	6.0	12	20	26⅝	26½	26⅝	+⅛
1½	½	Zapata			26	209	1⅛	1⅛	1⅛	
11⅞	7¼	ZenithElec			4	873	8⅝	8⅛	8⅝	+⅜
17⅛	14½	Zenith Nat	1.00	6.3	6	199	15⅞	15½	15⅞	−¼
6¾	6	Zenix Inc	0.85	12.3		321	u6⅞	6⅝	6⅞	+¼
13¾	11⅛	Zero Corp	0.40	3.3	18	129	12⅛	11⅞	12	+⅛
38	32⅝	Zurn Ind	0.88	2.5	15	184	34¾	33¾	34¾	+1⅛
14⅛	12¾	Zweig Fund x	1.16	8.9		379	13⅛	12⅞	13	+⅛
11	9⅞	Zweig Tot x	1.00	9.6		1478	10½	10⅜	10½	+⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices April 14

NASDAQ NATIONAL MARKET

4:00 pm prices April 14

AMERICA

Dow boosted by good first quarter results

Wall Street

A STRING of mostly positive first quarter earnings announcements buoyed US stock markets yesterday, lifting the index of blue-chip industrials to record levels, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was up 36.23 at 3,306.13, below its highs for the day but still above the previous record close of 3,290.25 on March 3. The more broadly based Standard & Poor's 500 also ended sharply higher, up 6.31 at 412.39, while the Nasdaq composite index of over-the-counter stocks jumped 6.66 to 594.81. Turnover was heavy at 232m shares.

Although trading was busier than the previous day, the market was still hindered by the disruption of futures trading created by Monday's flood in Chicago, which put the Chicago Board of Trade, the country's main futures exchange, out of business and curtailed liquidity in all financial markets. The only economic news of the day was mixed. March retail sales fell 0.4 per cent, but the broader figure showed an 11.9 per cent in real retail sales during the first quarter.

The figures, however, were overshadowed by the first full day of the quarterly reporting season and some solid corporate performances.

IBM climbed $1 to $88¾ after reporting first quarter income $1.04 a share, above market expectations and better than the 97 cents a share earned a year ago. IBM's figures boosted other big computer stocks, with Hewlett-Packard adding $3 at $80, Digital Equipment rising $1¼ to $46⅞, Compaq firming $1 to $26¼ and Motorola gaining $1⅛ at $76.

Securities houses were notably firmer early on following release of record first quarter results, but profit-taking and concern about future earnings wiped out all the gains, with Merrill Lynch ending down $⅞ to $50⅛, PaineWebber finishing unchanged at $20¾ and west coast broker Charles Schwab closing up just $⅛ at $29½.

A rare decline was posted by LA Gear, which lost $1⅛ to $12⅞ after the sports shoe maker unveiled a 42 cents a share first quarter loss and announced it had technically defaulted on a bank agreement.

American Home Products jumped $4 to $81¼ on news of a 15 per cent improvement in profits to $406.3m achieved on the back of strong performances from the group's domestic pharmaceutical and consumer health care businesses.

Ford rose $¾ to $41 after it released details of a 9.1 per cent increase in US-made car sales and a 14 per cent increase in truck sales during the first ten days of April.

Canada

IN TORONTO falling interest rates helped boost share prices in active trading. Based on preliminary data, the composite index rose 22.81 points, or 0.67 per cent, to 3,412.64. Advancing issues outpaced declines 311 to 267. Volume was a solid 28.2m shares against 19.5m on Monday, and trading value climbed to C$318m from C$178.4m.

The financial services sector gained 1.65 per cent, as National Bank rose C$⅜ to C$9¼, Scotiabank gained C$⅝ to C$21¼, Bank of Montreal was up C$⅝ to C$45, and Royal Bank was up C$½ to C$24⅛.

SOUTH AFRICA

JOHANNESBURG closed easier, though gold shares held up well to the fall in the bullion price. The overall index fell 23 to 3,355 and the gold index was down 13 at 1,042. The industrial index closed 9 easier at 4,186.

India spices the market for foreign investors

Reforms of its capital markets have added to the sub-continent's attraction, reports Antonia Sharpe

Sweeping reforms of the Indian capital markets have fuelled the speculative rally in the country's stock market, making it the best performing emerging market in March and in the first quarter of 1992, according to the International Finance Corporation (IFC), part of the World Bank.

The Indian government's capital market-oriented budget of late February included the following measures: the partial convertibility of the rupee; allowing foreign pension funds to invest in Indian equities; the abolition of controls on the amount of equity Indian companies can raise in the domestic capital markets; the simplification of the country's tax structure and the reduction of income and import taxes.

Mr Sridhar Venki, emerging markets analyst at Olliff & Partners in London, a specialist broker in off-shore country funds, says that a large amount lot of foreign money is now flowing into Indian equities and that trading volume has increased substantially. He cautions, however, that the crop of corporate results in the coming weeks might not meet the market's unrealistic expectations. Disappointments on the earnings front could cool the market down in the near term, but its long-term outlook remains attractive.

In the January-March period, Brazil came a poor second to India, held back by a steady devaluation in the local currency and by restrictions on foreign investment. IFC data show that the Brazilian stock market rose by 166.6 per cent in local currency terms in the first quarter but by just 46.2 per cent in dollar terms.

Dr Roberto Faldini, the new president of the Brazilian Securities Exchange Commission, told a group of investors in London yesterday that while he was in favour of a further opening up of the stock market to foreign investors, he was unable to give an exact timing. Furthermore, priority would be given to investors from Latin American countries.

Dr Faldini said he planned to improve the policing and transparency of the stock market, as well as improve protection for minority shareholders.

On the positive side, investors in Brazilian equities have been encouraged by evidence in March that inflation was coming under control and that the privatisation programme was back on schedule. News that Telebras and Aracruz will issue American Depositary Receipts later this year has also attracted attention.

Venezuela was the worst performer on the IFC table last month, losing 26.3 per cent in dollar terms. The market has been depressed by political uncertainty following a failed coup and a run on the bolivar. Pressure on the currency has eased, but Mr Federico Laffan of Latin American Securities remains cautious about the market which he says is vulnerable to speculators and any changes in the political situation.

The worst performer in the first quarter in dollar terms was Turkey, which fell 26.4 per cent, followed by Pakistan which dropped 23 per cent.

IFC EMERGING MARKETS PRICE INDICES

Market	No. of stocks	Dollar terms: Mar 31 1992	Dollar terms: % Change over month	Dollar terms: % Change on Dec '91	Local currency terms: Mar 31 1992	Local currency terms: % Change over month	Local currency terms: % Change on Dec '91
Latin America							
Argentina	(29)	1,442.90	+12.9	+12.4	79,327,024	+13.1	+11.6
Brazil	(69)	153.38	+6.8	+46.2	93,293,631	+30.2	+166.5
Chile	(35)	1,991.09	+9.3	+29.1	5,374.97	+10.0	+28.4
Colombia	(20)	813.04	-8.0	+0.8	5,222.03	-7.0	+4.7
Mexico	(66)	1,801.79	-0.8	+24.3	28,534.09	-0.5	+23.4
Venezuela	(17)	539.77	-26.3	-20.2	4,604.56	-25.5	-16.0
East Asia							
South Korea	(91)	244.61	-6.3	-14.4	229.16	-4.9	-12.8
Philippines	(30)	1,532.25	-2.2	+6.6	1,880.42	-6.7	-1.1
Taiwan, China	(70)	639.41	-6.9	+1.5	408.64	-7.4	+0.4
South Asia							
India	(62)	560.54	+35.3	+103.6	1,282.01	+47.1	+124.6
Indonesia*	(63)	62.27	-0.9	+11.7	69.70	-0.9	+13.2
Malaysia	(62)	161.38	-1.3	+12.3	171.76	-1.5	+6.6
Pakistan	(58)	245.77	-1.0	-23.0	397.46	+0.3	-22.2
Thailand	(51)	371.14	+5.0	+17.0	350.13	+5.4	+19.7
Euro/Mid East							
Greece	(32)	408.06	-7.4	-1.4	606.86	-6.7	+7.5
Jordan	(27)	96.78	-1.7	+0.7	172.59	-1.1	+0.6
Portugal†	(30)	408.26	+4.6	-4.9	370.62	+5.0	+0.3
Turkey‡	(25)	62.56	+1.4	-26.4	510.07	+8.2	-9.5

*Source: International Finance Corporation. Base date: Dec 1984=100. *Dec 1989=100. †Jan 1988=100. ‡Dec 1986=100.*

EUROPE

Michelin jumps 6.8 per cent as loss shrinks in 1991

BOURSES were generally firmer as Michelin's results gave a boost to Continental of Germany, *writes Our Markets Staff.*

PARIS concentrated on individual stocks, Michelin and TF1 in particular. The CAC-40 index closed 9.04 higher at 1,972.31, in heavy turnover of FFr3.2bn which reflected healthy domestic buying.

Michelin jumped FFr11.60 or 6.8 per cent to FFr181.30 on 1.6m shares after reporting a better-than-expected result for 1991, during which net attributable loss fell to FFr699m from FFr4.81bn the previous year. The tyre manufacturer also said it needed to have a capital increase but did not say when. Dealers said the new shares were likely to be issued between FFr180 and FFr200 which would put a limit on the share's upside.

Several blocks of shares amounting to 1.6 per cent of the television company TF1's share capital were put through the market yesterday. The stock rose FFr5.90 to FFr428.90 with 826,487 shares traded. Dealers said Mr Bernard Tapie, the new urban affairs minister, was the likely seller.

Alcatel, which gave a presentation in London yesterday morning, added FFr14 to FFr633 on buying ahead of its issue of ADSs.

L'Oréal closed FFr10 up at FFr845 before announcing 1991 results at the top end of expectations, as well as a 20 per cent increase in the dividend.

LVMH fell another FFr82 or 1.9 per cent to FFr4,291 on continued concerns about its slowdown in sales in Japan.

FRANKFURT saw strong activity in the car sector after reports that prospects for 1992 sales had improved. The DAX index closed up 4.79 at 1,732.53 and the FAZ index, calculated at midsession, rose 0.29 to 707.12. Turnover fell to DM4.4bn from DM4.8bn.

County NatWest has reduced its 1992 forecast to a fall of 4 per cent in German car registrations from 12 per cent previously. Sales in the first quarter sales have been strong and it expects a rise in the second half to beat a VAT increase.

Among car stocks, Volkswagen was up DM1.70 to DM370.70 while BMW advanced DM2 to DM583.50. Daimler rose to a year's high of DM785.80 before falling back on news that the European Commission was to seek repayment of DM33.8m in state aid received for the purchase of a site in Berlin. Its shares closed DM2.30 firmer at DM781.50.

Continental put on 3.4 per cent after positive news from rival tyremakers Michelin of France and Goodyear of the US. Both companies reported improved prospects for 1992. Continental closed up DM8.60 at DM263.00

Siemens was actively traded following a buy note from Deutsche Bank which forecast that Earnings Per Share will rise in 1993 to DM53 from an estimated DM45 this year and DM43 in 1991. Siemens advanced DM4.60 to DM684.20, but off an intraday high of DM688.

Altana, which said that it expects a 6 per cent increase in group sales in 1992, gained DM7 to DM700.

MILAN drifted lower ahead of the close of the April trading account today. Dealers said that a rise in interest rates by some banks dampened the market. The Comit index fell 1.63 to 499.16 in turnover estimated at less than Monday's L66.6bn. Dealers said that 80 per cent of the monthly call options were abandoned on Monday so there was little selling pressure yesterday.

Generali and Mediobanca were the day's few gainers. Generali added L90 to L28,800, while Mediobanca, which revealed that it now held a 12.8 per cent stake in the insurer, gained L60 to L13,300.

Trading in Banca Nazionale dell'Agricoltura was suspended twice because of an order imbalance on the sell side following news that the bank's non-performing loans had risen 6.2 per cent to L802bn. But the stock finally closed at L4,650, down just L100, as friendly parties came to its defence.

The Consob was due to meet yesterday to discuss additions to the screen-based trading system. Another 25 stocks are expected to be listed by July.

ZURICH rose in quiet trade with gains in the chemical sector helped by the stronger dollar. The SMI index advanced 13.2 to 1,853.8.

Roche certificates put on SFr40 to SFr3,150 and Ciba-Geigy registered shares were up SFr10 at SFr3,460.

Georg Fischer bearers rose SFr15 to SFr965 after the group announced a 11 per cent rise in first quarter sales and said that it planned further cost-cutting measures in 1992.

AMSTERDAM rose slightly with little news to excite interest. The CBS Tendency Index closed up 0.6 at 125.5 in turnover of Fl 439m.

Amev, which reports 1991 earnings today, gained 60 cents to Fl 56.

BRUSSELS closed higher, as the Bel-20 index rose 5.50 to 1,184.21. Petrofina gained BFr25 to BFr10,500.

FT-SE Eurotrack 100 - Apr 14

Hourly changes

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1155.95	1155.63	1157.42	1156.89	1156.65	1156.31	1157.71	1157.52

Day's High 1158.07 Day's Low 1155.22

Apr 13	Apr 10	Apr 9	Apr 8	Apr 7
1153.23	1155.74	1140.98	1143.45	1156.82

Base value 1000 (26/10/90).

ASIA PACIFIC

Nikkei rises on index-linked buying

Tokyo

THE Nikkei average closed higher after a volatile session dominated by index-linked activity, *writes Emiko Terazono in Tokyo.*

The 225-issue index finally closed up 202.93 at 17,439.58. It fell below the 17,000 mark in the morning on arbitrage unwinding, declining to the day's low of 16,879.97, but later rose in the afternoon on index-linked buying and bargain-hunting, reaching the day's high of 17,607.69.

Volume fell to 250m shares from 280m. Advances outnumbered declines by 563 to 411, with 160 issues remaining unchanged. The Topix index of all first section stocks rose 19.19 to 1,288.80. In London, the ISE/Nikkei 50 index rose 5.45 to 1,047.22.

Traders said the volatility was caused by last week's increase in margins on Nikkei 225 stock futures transactions by the Singapore International Monetary Exchange. Futures trading on Simex has been under criticism recently for distorting the cash stock market in Tokyo. The initial margin on futures trading on the Simex was raised from Y1m to Y1.25m, while additional margin was raised from Y800,000 to Y1m.

Activity centred on speculative issues. Stocks with an Aids theme were sought by short-term investors, with Okamoto, the condom maker, up Y120 to Y1,180 and Meiji Milk Products advancing Y45 to Y775. Speculative favourites also firmed, with Nippon Carbon surging Y100 to Y651.

Bank shares were higher on short-covering. Industrial Bank of Japan added Y100 to Y1,710 and Mitsubishi Bank rose Y150 to Y1,750.

Sega Enterprises, the video game manufacturer, fell Y110 to Y8,840, following Monday's Y1,000 plunge. Investors sold the issue on a US court finding against Sega for alleged patent infringement. Market participants sought Nintendo, Sega's rival, which added Y290 to Y9,600.

High-technology issues were higher on small-lot bargain hunting by individuals and foreigners. Fujitsu rose Y20 to Y680 and Sony advanced Y30 to Y4,110.

Car stocks were mixed: Nissan Motor fell Y8 to Y590, while Honda Motor rose Y50 to Y1,630 on active buying. Traders said that rumours that an US car group was accumulating Honda shares triggered speculative activity. Mr Andrew Blair-Smith, analyst at UBS Phillips & Drew, said the company's large exposure to the US following an expected upturn in the US car market, also encouraged investors.

In Osaka, the OSE average gained 238.94 to 19,341.30 in volume of 13.4m shares.

Roundup

PACIFIC Rim markets were mixed yesterday. Bombay was closed.

HONG KONG closed weaker with the announcement by HSBC Holdings of its merger terms for Midland Bank of the UK coming after the market had closed. HSBC ended 25 cents down at HK$39.25. The Hang Seng index declined 5.61 to 4,883.53 in turnover of HK$1.52bn.

SINGAPORE finished higher but trading was quiet in the absence of corporate news. The Straits Times Industrial index rose 3.46 to 1,377.32 in volume of 19.8m shares.

SEOUL fell slightly. The composite index lost 2.63 to 575.56 in turnover of Won252.88bn.

TAIWAN rose in early trading before falling back slightly. The weighted index ended 56.54 higher at 4,461.98 in turnover of T$17.56bn.

MANILA rose after the government announced it was cutting fuel prices. The composite index gained 13.15 to 1,149.24 in turnover of 94.6m pesos.

KUALA LUMPUR extended Monday's losses. The composite index fell 3.0 to 564.51 in volume of 24.1m shares.

AUSTRALIA fell slightly in quiet trade. The All Ordinaries index closed down 4.5 at 1,565.6 in turnover of A$114.4m. Volume was 53.8m shares, the lowest since January 1991.

FT-ACTUARIES WORLD INDICES

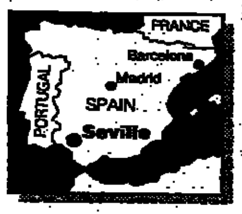
Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock	Tue Apr 14 1992: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	Mon Apr 13 1992: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Dollar Index: 1992 High	1992 Low	Year ago (approx)
Australia (69)	143.87	+0.4	120.41	120.73	123.01	124.64	-0.2	4.43	143.35	120.65	120.74	123.31	124.85	153.68	140.94	137.77
Austria (19)	166.25	+0.6	139.14	139.51	142.14	142.19	+0.4	2.04	165.29	139.11	139.22	142.18	141.67	186.70	162.62	213.04
Belgium (46)	137.38	+1.1	114.98	115.28	117.46	114.68	+0.5	5.29	135.87	114.35	114.43	116.87	114.09	145.19	135.87	143.16
Canada (115)	129.95	+1.0	108.75	109.04	111.09	111.17	+0.6	3.31	128.63	108.27	108.34	110.64	110.52	142.12	125.75	140.09
Denmark (35)	231.61	+0.6	193.84	194.36	198.02	201.06	+0.4	1.84	230.30	193.84	193.98	198.10	200.31	273.94	226.81	244.28
Finland (15)	74.62	+0.1	62.46	62.63	63.81	70.35	+0.2	2.07	74.56	62.75	62.80	64.13	70.23	89.80	73.64	124.03
France (106)	156.26	+1.0	130.78	131.11	133.59	136.52	+0.4	3.38	154.72	130.22	130.31	133.08	135.97	159.16	148.06	141.12
Germany (65)	119.29	+0.6	99.83	100.11	101.98	101.98	+0.0	2.26	118.52	99.75	99.84	101.94	101.94	122.84	114.67	113.80
Hong Kong (55)	203.18	+0.0	170.05	170.50	173.72	201.63	+0.0	4.01	203.17	171.00	171.12	174.76	201.70	210.88	176.36	152.07
Ireland (16)	158.43	+0.1	132.60	132.95	135.46	137.76	-0.2	3.74	158.31	133.24	133.34	136.17	137.99	173.71	151.78	166.72
Italy (78)	70.17	+0.5	58.72	58.88	59.99	64.81	-0.2	3.56	69.79	58.74	58.78	60.03	64.92	80.86	68.92	81.72
Japan (473)	95.73	+2.7	80.12	80.33	81.86	80.32	+1.7	1.06	93.74	78.90	78.95	80.64	78.95	140.95	89.70	145.45
Malaysia (68)	228.85	-0.4	191.53	192.03	195.66	224.58	-0.5	2.87	229.88	193.48	192.62	197.73	225.76	250.18	212.49	235.10
Mexico (18)	1676.89	+0.2	1403.41	1407.14	1433.69	5616.24	+0.2	1.07	1672.83	1407.96	1409.01	1438.92	5606.74	1789.77	1376.91	861.42
Netherland (25)	152.66	+0.8	127.77	128.10	130.53	129.01	+0.2	4.31	151.45	127.47	127.57	130.28	128.78	156.48	147.88	143.58
New Zealand (14)	43.02	+0.3	36.00	36.10	36.78	41.85	+0.1	6.58	42.91	36.11	36.14	36.91	41.79	48.52	42.01	48.96
Norway (23)	167.25	+1.6	139.97	140.34	142.99	146.36	+1.4	1.75	164.67	138.60	138.70	141.65	144.33	192.95	161.26	196.52
Singapore (38)	197.91	+0.3	165.63	166.07	169.20	150.85	+0.2	2.18	197.23	166.00	166.12	169.65	150.60	228.43	192.76	197.64
South Africa (61)	224.55	-1.3	187.93	188.42	191.98	167.80	-0.8	3.00	227.56	191.53	191.67	195.73	169.18	263.60	203.16	203.22
Spain (50)	149.52	+1.0	125.13	125.47	127.83	116.61	+0.6	5.16	148.10	124.65	124.75	127.39	115.90	160.47	146.86	163.92
Sweden (25)	183.40	+1.0	153.49	153.90	156.81	161.41	+0.7	2.80	181.62	152.87	152.98	156.23	160.25	190.37	173.09	188.11
Switzerland (60)	99.10	+1.8	82.94	83.17	84.74	92.93	+1.0	2.30	97.33	81.92	81.99	83.73	92.05	104.22	95.99	95.88
United Kingdom (228)	184.14	+1.0	154.11	154.51	157.42	154.11	+0.4	4.84	182.29	153.43	153.53	156.79	153.43	186.29	165.85	181.24
USA (523)	167.99	+1.6	140.59	140.97	143.63	167.99	+1.6	2.94	165.42	139.23	139.34	142.30	165.42	171.66	160.92	157.07
Europe (791)	146.80	+1.0	122.86	123.19	125.52	125.08	+0.4	3.92	145.41	122.39	122.48	125.08	124.62	150.58	139.31	144.81
Nordic (98)	171.58	+0.8	143.60	143.98	146.70	144.77	+0.6	2.24	170.15	143.21	143.32	146.36	143.86	188.52	169.68	183.77
Pacific Basin (717)	101.12	+1.8	84.63	84.85	86.45	85.33	+1.5	1.48	99.29	83.57	83.63	85.41	84.09	141.97	94.40	144.99
Euro-Pacific (1508)	119.58	+1.4	100.08	100.34	102.23	101.72	+0.9	2.67	117.92	99.25	99.32	101.43	100.77	145.21	113.80	145.27
North America (638)	165.59	+1.5	138.59	138.97	141.60	164.13	+1.5	2.95	163.10	137.28	137.40	140.32	161.69	169.69	158.70	155.94
Europe Ex UK (563)	124.40	+0.9	104.11	104.41	106.38	108.26	+0.3	3.24	123.28	103.76	103.85	106.06	107.91	129.79	121.81	122.81
Pacific Ex. Japan (244)	154.15	+0.1	129.01	129.37	131.81	136.58	-0.1	3.99	153.95	129.58	129.69	132.44	136.75	158.33	149.00	138.61
World Ex US (1702)	122.12	+1.3	102.20	102.48	104.41	104.04	+0.9	2.63	120.53	101.44	101.53	103.68	103.14	146.91	116.45	146.09
World Ex UK (1997)	132.19	+1.5	110.63	110.93	113.03	120.68	+1.2	2.52	130.27	109.65	109.73	112.07	119.19	150.58	127.21	145.52
World Ex. So. Af. (2164)	136.10	+1.5	113.90	114.22	116.37	123.40	+1.2	2.79	134.15	112.91	113.01	115.40	121.96	153.05	130.04	148.35
World Ex Japan (1752)	159.50	+1.2	133.49	133.86	136.39	148.78	+1.0	3.33	157.62	132.66	132.78	135.60	147.35	161.90	153.20	151.84
The World Index (2225)	136.67	+1.4	114.38	114.69	116.86	123.80	+1.2	2.79	134.76	113.42	113.51	115.92	122.38	153.70	130.66	148.69

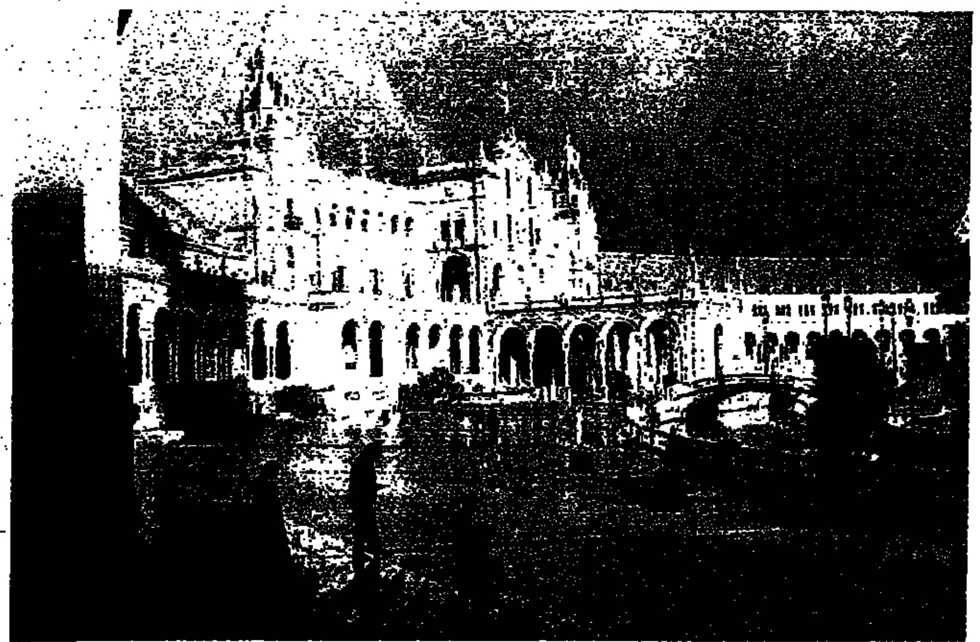
SEVILLE AND WORLD EXPO '92

SECTION III

Wednesday April 15 1992



About 18m visitors are expected at Seville's Universal Exposition. The fair, commemorating the 500th anniversary of Columbus's voyage to America, also heralds the return of Spain to Europe's mainstream after centuries of seclusion, writes **Peter Bruce**



PAST MEETS FUTURE: Seville's spectacular Plaza de España (above) faces the adventurous structures of the Expo '92 pavilions on Cartuja island on the Guadalquivir river (right)

The fair of the century

THE WORLD'S most sophisticated railway lines run up to it. Europe's newest airport was built for it. Spain's best roads have just reached it. What if no one comes to it?

Of course they will! Welcome to the 1992 Universal Exposition, or Expo '92, in Seville, the biggest, certainly the most expensive, and easily the most rapidly assembled celebration of any single event, probably, in human history.

The cost? About $9bn, but who's counting? It is too easy to knock Expo – it is a big, brash, fabulous waste of money – and much harder to appreciate what its success means to Spain.

This is a country gripped by one dominating and rampaging anxiety – what do other people think of it? Hardly a week goes by in Spain without a symposium somewhere devoted to this very serious matter. Its newspapers write articles about what foreign newspapers write about Spain.

Now, in these few days before Expo opens and the country's 1992 celebrations (including the Olympics in Barcelona in July) really get underway, Spain is fluffing its skirts and patting its hair like a young lady preparing for her first date, hoping to get a glimpse of herself in a nice big mirror before the night is over.

Expo and the foreigners that go to it are that mirror. By Expo's success and by the smiles on the faces of its visitors, Spain, or a large part of it, will judge itself. Spaniards know that many northern Europeans think they are a lazy, good for nothing and untrustworthy lot.

It is nonsense, of course, but there have been some horrible moments along the way to Expo: when a terrible fire, caused by careless working practices, destroyed one of the Expo's most important pavilions in February, the press was vicious.

"Chapuza Nacional" screamed one – national cock-up – as if to say it before some foreigner did. Earlier a replica of the first ship to sail round the world toppled over moments after being launched and some crew in replicas of Columbus's three ships tried to run away when they reached the US.

About 18m people, the organisers say, will go to Seville to meander about the town and the Expo site between its opening on April 20 and its closure 176 days later on October 12, 500 years to the day that Christopher Columbus first set foot in the new World.

The site is Cartuja Island, once home to a monastery where Columbus often rested after his great voyages. The 450 hectare island sits in the middle of the Guadalquivir River that skirts Seville and up which eventually sailed gold-laden galleons for the century or so in which Spain was able to reap maximum benefit from the colonisation of Latin America that Columbus had begun.

The monastery still stands, but dwarfed by the incredible Expo city that has been built around it. It is impossible to stand in the middle of it – even while frantic last-minute preparations continued – and not be thrilled by the sheer scale of what has been put down on Cartuja and the speed with which it has been done.

Just 18 months ago Cartuja was little more than a swampy bulldozed mess. In four days time the Expo will open its 95 pavilions, 70 bars, 150 shops, 40,000-place car park, 16 banks to the public. Somehow, the organisers have managed to squeeze in 55,000 different pieces of entertainment at 21 stages dotted around the site. The New York Metropolitan Opera will be coming, and so will opera from Vienna, Dresden and Milan. Trinidad and Tobago are sending a steel band.

The whole point is that everyone is coming and Expo '92 is probably going to be the last truly great cultural statement of this century. It is not, or it should not be, a trade fair. It is a celebration of knowledge and, specifically, discovery. The country, theme and corporate pavilions may not push the barriers of architectural knowledge beyond what we already know, but nowhere on earth are the eccentric and conventional forms and structures of the late 20th century so brilliantly scrambled together. At the risk of sounding like a publicist, Expo promises to be terrific fun.

This is, after all, Andalucia. The incredible noise on the streets and in the bars of Seville could just as easily be the sound of Spain's beating heart. These people taught the rest of Spain the meaning of fiesta.

Visitors might find Seville a little cramped – not any more so than during its Easter fiesta – but it is the smallest city ever to host a Universal Exposition and it has managed to attract the greatest number of countries to take part. One result will be a great shortage of accommodation and what is available will be very expensive.

For most of the time the fair is opened, it will also be unspeakably hot. That partly explains why the Expo site will be open until four in the morning every day and also why the organisers felt it necessary to plant 350,000 trees and shrubs around the site. Shade will be Expo's most valuable commodity.

Just how valuable the Expo is to Seville is already easy to measure. It was King Juan Carlos who first suggested (naturally, when one is the King, one's ideas are always one's very own ideas) holding an Expo at Seville in 1992. That was in the late 1970s. But it was the election of the socialist government, led by Prime Minister Felipe Gonzalez, in 1982 that really set things moving.

Mr Gonzalez and his most senior advisers were all Andalucians in the early years and they have bent over backwards to make sure that, along with the Expo, Andalucia in 1992 would be used to mark the return of Spain to prominence as a major economic and democratic power. Their Andalucia was (and still is) a largely poor, dry and illiterate place. It has bred some wonderful people but given them precious little to live off.

So Andalucia has been showered with gifts for this year. Easily the most exotic is the world's newest high-speed train line, between Madrid and Seville, with a branch to the Expo entrance.

Just outside Seville, where the airport was once little more than a blockhouse, stands a spanking new terminal capable of taking 8m passengers a year.

After the Expo, it could take Seville 20 years to use that airport to capacity. Around the city are nearly 70km of new roads and eight new bridges

Continued on page 3

IN THIS SURVEY

Spain is all agog at the scale of the project

Admiration and a twinge of envy

EXPO '92 IS, on the face of it, a custom-built super-city with a six-month life span on a river island alongside Seville. But it is a lot more than just that and the rest of Spain is muttering as a result.

Barcelona envies Seville its 300kph high speed train link with Madrid; and Madrid, cursed with a wholly inadequate airport, wonders why Seville's has passenger terminals quite out of proportion both to its runway facilities and to its projected traffic.

Valencia, Spain's third city, is upset about both the train link and the airport and it asks why, as an infinitely busier commercial centre, it has not been favoured with fibre-optic communications, with 70kms worth of ringroads and with a dual carriage highway to Madrid.

Spaniards in general would not begrudge Seville a couple of new bridges to help it straddle its Guadalquivir river. But eight?

Seville's new bridges have doubled the city's existing number and three of them lead solely to the Expo island. Industrial Bilbao, hemmed in by the Nervion river, could certainly have done with a few of them.

The government, led by Prime Minister Felipe Gonzalez who is Sevillian born and bred, attempts to silence the mutterers by insisting that Expo is a modernising vehicle for one of Spain's least favoured regions; that there is far more to the Exposition than the "come to the big party" hype would suggest.

Spaniards do not begrudge Seville a couple of new bridges across the Guadalquivir — but why eight?

Mr Gonzalez frequently voices fears that Spain's richer areas, near the French frontier, will surge ahead in a Single Market Europe while the Southern belt of Andalucia, which lies within sight of Africa, risks a barren future.

The threat of widening regional imbalances during the 1990s is real enough and the Prime Minister is determined to prevent his home region decoupling from the rest of Spain.

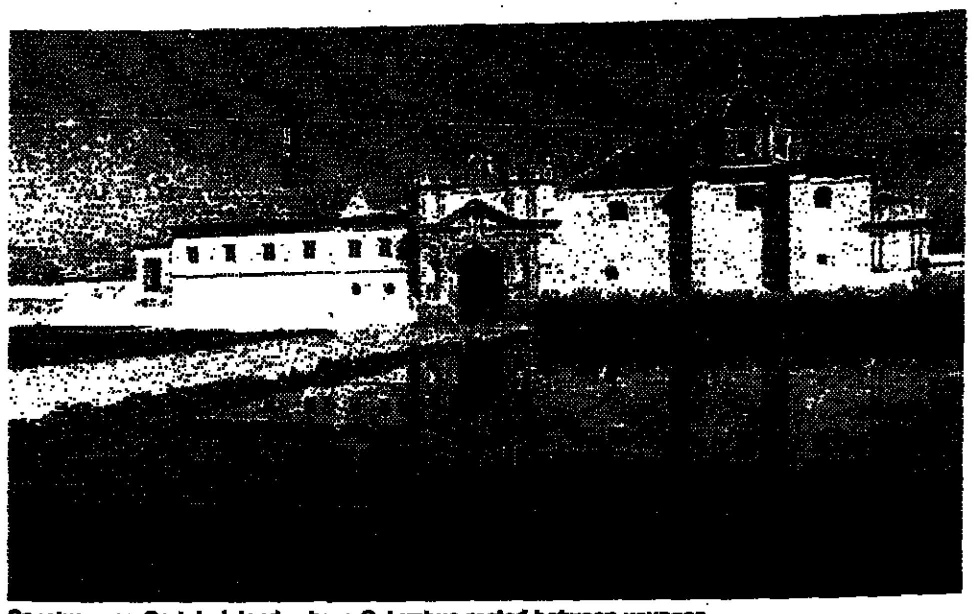
Expo thus represents development economics with a vengeance. More than Pta900bn in the past five years has been pumped by the government into an area whose GDP is 20 per cent lower than the national average and 54 per cent of that of the EC.

According to the government's thinking, market forces will improve Valencia's infrastructure and they will pay for the airport overhaul that is overdue in Madrid. They will also ensure a bullet train between Madrid and Barcelona and beyond to the French frontier.

But were it not for Expo no meaningful capital investment, public or private, would have been lured to Southern Spain. Certainly the high speed tracks would never have reached Seville.

Now, as Expo prepares to pack in the public, the administration's focus has uncompromisingly shifted from the Exposition itself to what happens afterwards to Seville and to Andalucia. There are few worries about the 18m who are expected to visit Expo. There is more concern over what will occur at the Exposition site when its last visitor has left.

A project called Cartuja '93, named after the Cartuja island where the exposition stands, has been set up with the future specifically in mind. It seeks to fuel the technological development of the region by exploiting the global promotion that Seville will receive over the next six months and by re-utilising Expo's infrastructure and equipment.



Sanctuary on Cartuja island: where Columbus rested between voyages

Funded by the Spanish government with the Andalucia regional executive and the Seville city council as minority partners, Cartuja '93 is a state project backed by Spanish and European research bodies including the EC's Institute for Prospective Technology and the International Centre for Technology Transfer. According to Expo commissioner-general Emilio Cassinello, it is "the most important and ambitious programme" of the whole 1992 extravaganza.

The hoped for scientific and technological complex has been given something of a start by those Expo participants that have already said they wish to remain on the site after the show is over. Italy seeks to convert its pavilion into an industrial design centre and IBM will base a Language Technology laboratory in its corporate pavilion with the aim of transferring to Spanish its breakthroughs in voice synthesis and recognition.

Siemens and Rank Xerox are also understood to be studying continued use of their Expo pavilions and France has announced that its building will stay on the Cartuja island to house the biggest French cultural and bibliographical research centre outside Paris.

Mr Rafael de la Cruz, a former senior official in the Spanish Treasury who was appointed Cartuja '93 chairman last October, says that he remains "flexible" about the sort of businesses which will be welcomed into the future park. Much of his work to date has concerned with negotiating the details of fiscal breaks and other incentives to attract investment.

The project's main promotional effort will start as soon as Expo opens its doors to the public. "The six months of the exposition are going to be fundamental because they will allow us to explain our objectives," Mr de la Cruz says. He claims two dozen companies so far have expressed an initial interest in the park.

The success or failure of Expo '92 will be judged by the subsequent fortunes of Cartuja '93. Only if the project turns into a genuinely viable scientific and technological park propelling Andalucia into the 21st century will the immense investment be justified and the mutterers silenced.

Tom Burns

Tom Burns explores the many splendoured pavilions

Gateways to a new century

JAPAN HAS a built a four storey wooden pavilion, a massive African teak and Canadian pine teahouse. It is claimed to be the biggest wooden building ever erected and not a nail has been used to knock it together.

Japanese salesmanship and ingenuity is omnipresent at the Exposition and the disarmingly unstressed Japan pavilion is therefore able to emphasise the concept of Kinari or nature as the fount of all culture. The pavilion flaunts a society that has gone through the high tech tube and come out the other side.

Chile has brought along an iceberg. The 60 tonnes worth of freezing mass was fished off the Antarctic coast before Christmas and arrived in Seville stored in 10 containers like so many ice cubes for a giant's drink. A "cold air curtain" and a system of inner tubes will keep the ice flow healthy in Chile's futuristic pavilion throughout Seville's soaring summer heat.

Nobody knows what will happen to the iceberg when Expo rings down its curtain and there are those who recoil at the thought of transporting one to Southern Europe. But the idea is to impress the public with Chile's frozen food export potential.

Hungary has reproduced a rural church with seven belfries. Forty aluminium bells will peel out the same carillon which in 1456 informed the Western world that the Turkish advance had been stopped at the battle of Belgrade and that Europe had been saved.

If Hungary had had time and money to experiment with Seville's climatic conditions it would have packed its pavilion with thousands of chrysalises and had butterflies hatching by the half hour for the duration of Expo. They would have symbolised the rebirth of a nation.

It has, instead, installed a fair-sized oak tree in a glass vacuum. Visitors will walk around the tree, look down through the glass to examine its spreading roots and perhaps take home the message that bell-ringing Hungary lies firmly in the Western World.

Expo 92's Commissioner General, Emilio Cassinello, likes to say that the participants in the great event are paying tribute to "imaginative intelligence". Expo participants have mostly understood the mix of spirit and brains to be a once in a lifetime opportunity to let themselves go. The national buildings show off art works and tradition, they display present day industrial and creative muscle and they project a future of collective illusions. Most have restaurants, bars serving out the ethnic tipple and competitive souvenir stalls.

The British pavilion commissioner is a former ambassador called Sir John Ure and he incarnates the flag-waving motivation.

Convinced that "the world and his wife" will be visiting Expo, Sir John is determined that "we should put our best foot forward".

The British pavilion is the size of St Paul's Cathedral and it is entered by way of a very impressive waterfall. "We are still a major world and European player and I would deeply resent doing things on the cheap," says Sir John. Anything other than an arresting presence would "give the wrong message".

Ireland's pavilion faces the British one and is a seventh of the size. Its commissioner, an engaging professional actor called Denis Rafter, says it is "a gentle and honest pavilion." Mr Rafter shows off what the Irish have achieved – their milestones, apart from the Atlantic voyages of St. Brendan and their modern literature, included the invention of the Dunlop tyre and of the hypodermic needle. Mr Rafter, an enthusiastic hispanophile, has recruited a troupe of fluent Spanish-speaking Irish graduates to run his pavilion. "They are all at least trilingual," he says. Their role is to "project our young and skilled labour force". The exit from the Irish pavilion is through a series of panels that detail the country's principal foreign investors.

Japan boasts the biggest ever wooden building (it does not contain a single nail) and the Chileans brought a 60-tonne Antarctic iceberg which has lain in 10 cold storage depots since Christmas

If there was not an Expo in the wake of the Cold War and on the eve of a Single Market, nations such as Hungary and Ireland would no doubt have felt the need to invent one.

The talk of Expo as it limbers up to its inauguration is the Italian pavilion which is almost as big as the Spanish one and constitutes a determined attempt at Latin one-upmanship.

Expo officials are tolerant: "Spain is stealing the Southern European show and Italy had to respond, Columbus being Cristofolo Colombo and all that," says one.

The US pavilion, in contrast, is an embarrassment. Its twin geodesic domes are second hand structures that have already served their time on the trade fair circuit. It is dwarfed by the neighbouring New Zealand pavilion which has a façade that reproduces the rocky coastline that Captain Cook first saw.

Commissioner-General Cassinello, who was once Spanish ambassador in Mexico, tries to be understanding about the US. "They never properly understood that this was going to be a great exhibition."

US corporations have nevertheless made up for Washington's lack of vision. Coca Cola is an official sponsor and also a chief cheer leader of a daily parade that will snake its way through the pavilions every evening to announce that daytime exhibits are about to close and that Expo's night entertainment is due to start.

Rank Xerox, which is providing Expo with its information and document management systems, is, together with Siemens and Fujitsu, one of three multinationals that has set up a corporate pavilion. Enthusiastic Rank Xerox officials say that Expo is "the best living showroom" for the corporation's products and an "outstanding opportunity" to exhibit them.

Spain, naturally, stands to gain most of all. The host country's pavilion has the choicest location: it looks out, on one side, to the Avenue of Europe comprising the EC member nations and, on the other, it surveys an artificial lake bordered by the pavilions of the 17 regions or autonomous communities that make up the modern Spanish nation.

Expo, centred on the magnificently restored gothic Charterhouse in which Columbus rested between his voyages, is an eyecatching reminder that Spain enlarged the globe in 1492. And it reflects Spain's ambitions 500 years later.

Money for the exposition zone, for the main pavilion, for the regional ones and for the big thematic showstoppers has been no object. The overall budget for the exposition, after four upward revisions in as many years, now stands at Pta202bn.

As Spain digs ever deeper into its pocket, the government keeps smiling. Every overshoot is justifiable, the organisers say, because it goes towards "building a bigger and better Expo". Expo knockers have claimed for months that the show could not be ready on time. They are going to have to eat their words. They also say it is all a Quixotic venture. But then pundits in Lisbon and London scoffed at Columbus until he came to Spain.

● Pavilions as architecture: see page 8

THE PEOPLE OF SEVILLE

Slow, haughty, indifferent

WHEN the bullfighter Rafael Gomez "El Gallo" returned from an exhausting tour of South America to the Northwestern port of La Coruña he was reputedly impatient to get home to Seville.

"Seville is a long way away, Rafael," his friends told him. "Seville is where it ought to be," said the matador. "What's far away is this place."

That was in the pre-World War One days of long transatlantic crossings and slow steam engines. Seville now has a huge airport and a high speed train but the attitude of its native sons has not visibly changed: the city remains the centre of their universe and they are not particularly curious about what lies beyond it.

Such thinking means that Universal Expositions don't count for all that much in Seville. At best Expo '92 is a welcome, but in no way imperative, addition to the city. At worst it is an imposition.

Seville, the most class-ridden and laidback big city in Spain, has evolved a rhythm of its own. Its Holy Week religious processions, which will take place the week before Expo opens, and its annual Feria, which starts its blitzkrieg of fino drinking, flamenco dancing and corrida rituals a week after the Exposition's inauguration, are far more important events.

The city is fussy about form although it is often short on content. Modernity and innovation arouse suspicions and all hype that is not associated with the madonnas at Holy Week or with an idolised matador during the Feria bullfights is considered bad form.

Disneyland happenings are distinctly ersatz for a society that takes pride in what it describes as its "baroque" world view and that believes utterly in duende, a word that literally means ghost and which suggests rarefied behaviour.

Sevillians are turned on by a high stepping horse, by the grace with which a gypsy dancer moves her arms and by the stylishness that a young blood employs at Feria time to tilt his broad brimmed hat over his right eyebrow.

The sheer size and scope of Expo doesn't impress the locals. They know all about that because, amongst other things, their cathedral, which was built nearly a century before Columbus's landfall in the New World, is quite vast.

"Let us build a church so enormous that everyone who looks at it will take us for madmen," announced the Cathedral's chapter as they laid down its first stone. Sevillians relish telling that story.

The present day city mayor, Alejandro Rojas Marcos, has provided a lead in the local refusal to be overawed by the great event. He complains that Expo has been built "without taking Seville into account" and, up to the last moment, he has been a headache to its organisers.

Recently he demanded that Pta2bn should be paid from the state budget into Seville's municipal coffers as compensation for the disruption caused to the city's life by the Exposition. He even threatened to refuse municipal building licences to Expo pavilions that had already been built, thus in theory preventing the public from entering them, unless his demand was met.

The mayor is the leader of the Andalucian regional party and, as a long time opponent of Felipe Gonzalez, the socialist premier and fellow Sevillian, he can be counted upon to seize every opportunity to embarrass the ruling party. But his decidedly lukewarm attitude towards Expo is widely shared locally.

The overwhelming number of those who have made Expo happen, including its commissioner-general Emilio Cassinello and its chief executive Jacinto Pellon, are non-Sevillians. Middle ranking officials, drafted in from Madrid, Bilbao and elsewhere over the past four years to put the show on the road, often reciprocate with their ambivalent views about Seville society.

Some officials talk about a closed off Seville society that views outsiders with near hostility. And they confess to extreme frustrations over local traders and business people who appeared incapable of producing sensible budgets and of delivering on time. One of the Spainish pavilions decided early on to have its brochures printed in Madrid and another preferred to fly in electricians for a day's work.

None of this means that Sevillians won't have the time of their lives for the next six months thanks to the fact that Expo has landed on their doorstep.

Tens of thousands poured into the exhibition zone when it held its open days during the construction phase and they filled it with the infectious sense of joy that they call alegria. They have snapped up the season ticket passes and they will certainly turn the Exposition into the biggest fiesta ever staged.

To satisfy Seville's irrepressible joie de vivre, the organisers have broken new ground with what is called Expo Noche, an after hours and cut price schedule of concerts, open air film shows and other attractions that will last until 4 am. It will undoubtably set new standards for all night partying. But whether Seville will use the Expo windfall to vault into the 21st century is quite another matter.

Expo will be fun but it is a wholly serious enterprise in as far as it has been the catalyst for one of the most ambitious regional development efforts ever undertaken by a European government. Seville has received the finest communications infrastructure that money can buy.

It could be that Sevillians, with so much of Expo's "Ages of Discoveries" drummed into their minds for 176 days, will discover that they have it in themselves to break out of their ancestral pleasure-seeking lethargy.

But they might echo "El Gallo" and, deciding that Expo, once over, was something far away, return to a Seville that will forever remain where it ought to be.

Tom Burns

Fair of the century

□Continued from page one

cross the Guadalquivir, while five new highways connect Seville with Andalucia's other great centres and with Madrid.

This is Andalucia's big chance. It has become fashionable to speak of Andalucia as Europe's next, or first, Silicon Valley. But it may just find the imagination needed to turn the infrastructure it has been showered with in the past few years to its advantage once all the visitors have gone.

The Expo organisers have already established a project – Cartuja 93 – which is designed to preserve the Expo site more or less intact for use as a base for research and study. Andalucia has never shown much interest in the future, but Cartuja may change that.

Just as it may change the way Spaniards think about their past. What is being celebrated here is Columbus's discovery of America, or what he thought was the East, and the firm establishment, for arguably the first time, of true democracy in Spain. Both are important, for the Expo has neatly coincided with an intense effort by Spain to reconnect itself with its former colonies in Latin America, which now account for just 3 per cent of Spain's trade.

Latin America holds up a rather different mirror to Spain than do its admiring European partners. It is an older mirror, perhaps darker too. The devastation wrought by the Conquistadores on the native populations of the countries they invaded still provokes quick and fiery argument in Spain. Should Spain feel shame at that memory? Surely not now, just as it has been able to welcome back and legalise the Jews 500 years after their expulsion by Ferdinand and Isabella.

This is not a very contemplative society, but Spaniards who think about themselves might want to extract as much as they can from the Latin Americans who come to Seville. That continent's chaos, its struggle for democracy, has a frighteningly clear reflection in Spain as well. Some people think they know why – that by the time the Conquistadores sallied forth democracy in Spain had already been lost as a trade off for land and title.

That notion is suspect simply for being so neat and tidy and the lessons to be drawn from what Columbus began 500 years ago in Latin America are not easily defined. The Spanish started planning for 1992 calling it the year of Discovery until South Americans reminded Spaniards that people were living in the new world long before 1492. Spain changed the theme of 1992, then, to the Re-encounter. That seems more apt and, even if it says nothing much, it is at least a mark of a new humility.

Medieval palaces are being restored, writes **Colin Amery**

Gems from the wreckage

MANY visitors to the Expo over the next six months will want to stay to see the older sites of a city that still has a remarkable beauty and a very distinctive architecture.

But they will have to look hard for a sense of the past in a city that has, more than many of the other great cities of southern Spain, already suffered the ravages of the late 20th century. Compare Seville with the more intact cities of Cordoba or Granada and the differences are sadly obvious.

Looking back at old engravings of Seville and even early photographs of the 19th century and there is a city intact behind medieval walls with tall towers and great gates. Today, those walls have gone and the visitor to Expo will have to search hard for ancient Seville. The reopening of the river and canal system of the Guadalquivir in 1971 brought visual disaster as well as industrial blessings to the city.

It is hard to believe that Triana on the left bank of the river was once as picturesque as Rome's Trastevere or Florence's Oltranto. Seville's suburbs are featureless and the high rise blocks of the Los Remedios area have damaged much of the skyline.

Tourists naturally flock to the great gothic cathedral where Columbus is presumed to lie in his giant sarcophagus. Around the cathedral in the small streets and gardens of the Barrio de Santa Cruz the visitor can find something of the old atmosphere that is strongly Moorish. Narrow streets of whitewashed houses lead to the shaded courtyards, filled in summer with orange blossom, roses and the heavy scent of lilies.

But do not be too taken in by this area because many of the streets that lead to the Plaza Santa Maria and the Plaza de Dona Elvira were entirely rebuilt as recently as 1924. The real Barrio lies beyond this area of pastiche, from Santa Maria la Blanca to Plaza de las Mercerias. Here the visitor will still find the 17th century palaces of the Dukes of Bejar and the Marques de Marchelina.

There are also churches incorporating the remains of mosques such as San Esteban and if you look hard there are relics of Roman buildings that are now parts of much later structures. The interesting thing about this area is that right up to the 19th century builders followed the rules – tall windows, iron balconies and cool enclosed courts.

It was the development of the tower blocks of Los Remedios that caused the emptying of much of this quarter and led to its decay. This movement of population from the inner city coincided with planning laws passed during the Franco era which favoured speculation and led to excessive demolition and insensitive redevelopment.

Ashley Ashwood

The Golden Tower: one of the few survivors of 20th century demolition and redevelopment

There was a reaction in Seville to the steady erosion of the older parts of the inner city, largely led by an organisation called Pro Sevilla. The initiative came mainly from the Duke of Segorbe who drew up a charter to encourage the participation of many of the leading Spanish banks including the Banco Hispano-Americano and the Banco Occidental.

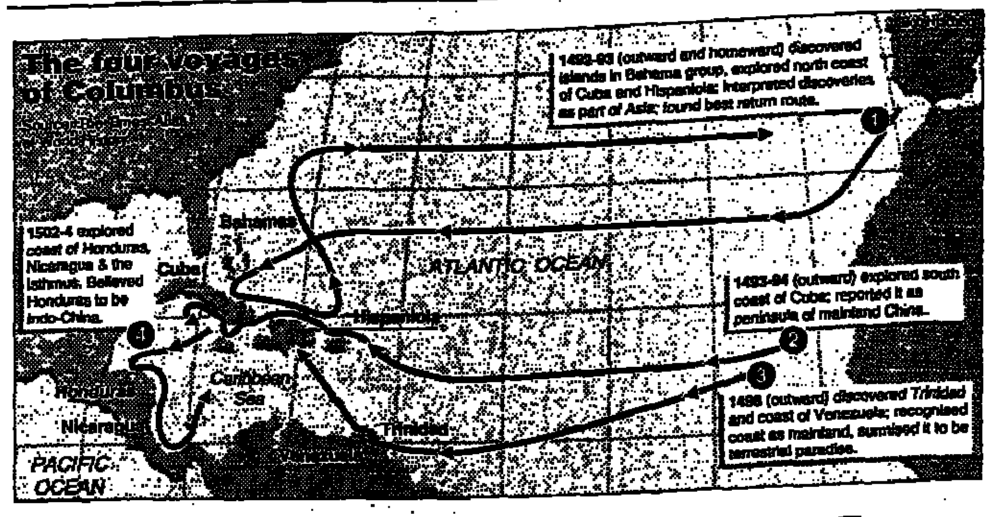
The Duke of Segorbe's family, the Medinaceli, played an important part in the history of Seville and their palace – the Casa de Pilatos – is one of the city's most beautiful places.

Pro Sevilla was unusual in the world of conservation because it set out to be commercial and to show that investment in real estate need not be incompatible with the conservation and careful urban renewal. In the early 1980s the organisation owned some 130 buildings in the areas of San Bartolome and Santiago. Some of these decaying houses and tenements were restored by Pro Sevilla itself, using traditional methods right down to old limewash techniques for painting the walls to ensure that they fade to the right colour.

One of the most recently completed restoration and renewal projects is the creation of an apartment hotel known as Las Casas de la Juderia, in a section of the city that was for a long period home to the Jews. Many of the houses belonged to the Duke de Bejar and were palatial in scale. The conversion of this particular hotel shows that it is entirely possible to keep the best of the old and refurbish it so that it is a commercial proposition. Particularly well done are the internal arcaded courtyard gardens. Each apartment has either a courtyard or a terrace and the interiors are very sympathetically decorated.

The restoration work of Pro Sevilla is exceptional because the organisation does not believe in the creation of pastiche architecture. Instead it commissions new elements for older buildings from the best contemporary architects. One tiny 16th century barber shop on Plaza de San Lorenzo (perhaps the haunt of Figaro himself?) is now a house with a spectacular modern interior. The Italian architect Aldo Rossi was commissioned to carry out the conversion of the Corral del Conde – his design to turn this building into flats is modern but conforms in scale and fenestration to its neighbours.

Throughout Seville this year the example of Pro Sevilla seems to be catching on and there is a mass of scaffolding, building repair and cleaning. Behind the restored facade are new spaces for work and leisure that demonstrate the vitality of the old city. The political decision to pour money into the Seville region for Expo has benefited both old and new parts of the city. These funds cannot rebuild the medieval city but they are helping to retain the best of old Seville and give it new life.



Mexico has mixed feelings, says **Damian Fraser**

Aztec memories

MEXICO'S tortured feelings about its conquest by Spain and relations with the once colonial power have been sorely tested by the celebrations of Columbus's "discovery" of the Americas.

Almost as soon as the Spaniards formed their preparatory committee to organise the celebration, Mexicans and other Latin Americans objected. The Americas were not discovered, they pointed out – rather there was a "meeting of two worlds". The 500th anniversary, they said, should not be a celebration, but a commemoration.

Even this is too benign a description for many. The brutal conquest of Mexico and the subsequent annihilation (through disease) of most of the indigenous population, could hardly be described as a "meeting". In Mexico, indigenous leaders will celebrate "the day of the race" (as it is called) by taking wreaths from the statue of Columbus and laying them at the foot of the last Aztec Emperor, Cuauhtemoc.

Columbus: Mexican memories pre-date his arrival

Mexico's ambassador to Spain, Jesus Silva Herzog, in a recent interview with the newspaper *La Journada*, went to some considerable effort to explain Mexico's position: "Our pavilion in the Seville fair is going to show the world that Mexico did not begin in 1492, that before the Spanish arrived we were already an important group of nations, with a city, Tenochtitlan, that was probably larger than whatever European city of that era. And now we desire and hope to place ourself in a world forum with a dynamic project, equally multiethnic, multiracial, multicultural, that shows we are more than 30 centuries old, and not a mere 500 years old."

Such defensiveness is understandable. The typical Mexican when asked about Hernan Cortes, who conquered Aztec Mexico with a few hundred soldiers, will say he was a brutal blood-thirsty mercenary – far from the hero many in Spain portray him to be. While in Peru statutes of their conqueror, Francisco Pizarro, abound, Mexico City sports none of Cortes.

Mexico's attitude to the 500th anniversary is complicated by the hope many Mexican intellectuals have that it will force the country to confront its colonial past, and come to terms with its *mestizaje* (mixed-blood heritage). Carlos Fuentes, the writer, has renewed an old controversy by suggesting the city build a statute to Cortes. As he said "I wish we could have a statue of Hernan Cortes on his horse so that we could end the complex of having been colonised. I believe this is more honest; we must accept our mother and father."

Such views are echoed by other intellectuals, who, as a group, form a strangely important role in Mexican society. In a television debate on the meaning of 1492, Enrique Florescano, a respected historian, made an impassioned plea. "The [historical] interpretations that developed during the period of Mexican nationalism cut off our colonial past; the result is we have not been able to incorporate the huge impact of its politics, religion, culture and science on our history, which has created an identity crisis. We have to use their 500th anniversary to re-evaluate our history."

Others present disagreed, claiming Mexico has a perfectly strong sense of national identity. Mr Fuentes's proposal has similarly been roundly condemned. The philosopher Leopoldo Zea called the idea "an offence and act of idolatry". The writer Carlos Monsivais joined the fray saying "it is one thing to suppress unnecessary quarrels, and quite another to provoke them with stone and bronze".

Indigenous peoples (about 10 per cent of the population), and perhaps a majority of the *mestizos* (mixed-bloods) are understandably concerned that a statue to Cortes would symbolically suggest approval for his brutal conquest, and primacy for the Spanish part of the country's heritage.

Mexico's confused relationship with Cortes (and by implication with its mixed-blood heritage) has had a profound effect on its relations with Spain. For most of the 19th century relations were frosty, as Mexico struggled to assert its independence. In the 20th century Mexico broke off relations with General Franco's Spain, and welcomed some 40,000 republican exiles to its shores. Alan Riding in his book *Distant Neighbours* writes (going perhaps too far) that Franco "had come to signify Cortes" who by breaking off of relations "could be symbolically punished".

Since then Mexico and Spain have grown closer, especially under Felipe Gonzalez and Carlos Sallinas de Gortari. Members of Mr Salinas's cabinet are said to be deeply impressed by Spain's "transition" since Franco's death, and are keen to emulate a similar type of transition themselves – even if Mexico's situation is strikingly different. Hence, just as Spain joined the European Community in the belief that economic integration would fuel growth, capital inflows, and promote political stability, Mexico has sought membership of a North American free trade area for similar reasons.

Spain has recently replaced France as Mexico's closest political partner in the EC. Mr Gonzalez and President Salinas have cooperated closely over policy to Cuba, while Spain offered help during the El Salvador peace talks. (In the early 1980s, by contrast, France and Mexico had cooperated closely over Central American policy.) Spain, eager to make up for past insults, has showered Mexico (and the rest of Latin America) with trade credits, and promises of cooperation.

The annual Ibero-American summit, held last year for the first time in Mexico, and to be hosted this year in Spain, aims to strengthen these links still further. Mexico and Latin America hope (rather forlornly) that Spain will promote its interests in the European Community, just as Britain and France won trade concessions for former colonies.

Spain in turns wants to build a foothold in the import-hungry Latin American economies. Already Spain's airline, Iberia, has become an Ibero-American carrier, with stakes in the airlines of Venezuela and Argentina. Two Spanish banks have bought stakes in Mexican banks; Spanish investment in Cuban tourism is vital to the island's battered economy.

But in spite of the rhetoric of Ibero-American integration, the chances of deeper cooperation are limited. Spain's future clearly lies in Europe, and it is much too concerned about becoming a first-rank member of the EC to waste energy on promoting Latin America to other countries. Indeed, Spain's investment in Mexico is behind that of France, Germany, Japan, Switzerland and the UK, suggesting, if anything, Spain could learn from other European countries about doing business amongst its former colonies.

Similarly, the future of Latin America (Cuba apart) evidently lies with the US. The US political and commercial presence is and always will be substantially larger than Spain's. In Mexico, for example, accumulated Spanish investment up to August 1991 was a paltry \$726m, compared to the US investment of \$20.7bn. In recognition of the economic reality, Mexico, and the rest of Latin America, are queueing up to form free trade agreements with the US. Spain lags far behind in their priorities.

● A Spanish reply: Page 7

NO-ONE should belittle Spain's *determination* to make the world recognise 1992 as a turning point in its modern history.

The Spanish regard their homeland as Western Europe's last frontier. Five hundred years ago it still remained undecided whether their portion of the Iberian Peninsula formed the northernmost outpost of Africa or the south-western extremity of Christendom. Spain was located on the wrong side of the Pyrenees.

More, it had been occupied by the Moslems too long, in parts for almost 800 years. And who ruled Spain? Kings or cardinals or robber knights or the *Hermandad*, the powerful organisation of "brotherhoods" that originated as a militia policing the regions and doubled as a national tax-collecting agency? But times were ready for change when Isabella of Castile married Ferdinand of Aragon in 1469, against strong popular feeling in both states and while neither was as yet a crowned head. The financing of Ferdinand's suit, quite beyond the capacity of his bankrupt father King John of Aragon, was provided by Jewish financiers in the royal employ, acting in collusion with a Catalan official of the Vatican, the future Borgia Pope Alexander VI.

Isabella was 18, Ferdinand a year younger. Unlike Portugal, which prospered by espousing the Atlantic as a second province, Spain was an unmade bed. Much of Andalucia in the south still remained Moslem territory. The Reconquista, called a crusade, was not yet completed in 1491. Concentration on the mission had created an inward-looking Spanish people of passionate intensity.

This was accompanied by intermarriage on a scale to make it difficult to discern whether an individual was of Christian or Hebrew or Arab descent.

A *mountainous* land dry as dust bred a dogged population attached to their patch. This national introspection goes some way

Barnet Litvinoff portrays the Europe in which Columbus launched his great adventure

The renaissance filled his sails

to account for the ferocity of the Civil War in the 20th century which cost three quarters of a million lives, and the fact that Spain kept out of this century's two great European conflagrations.

The voyage of Christopher Columbus as a Spanish enterprise owed nothing to the young monarchs' empire-building desires. They had no such ambition. The man from Genoa had peddled his proposition to a succession of rulers, but without success. He first appealed to King John of Portugal, only to be rebuffed. Columbus next approached Isabella and Ferdinand, again being refused. Then, in desperation, he besought the brilliant Regent of France, Anne of Beaujeu; and finally Henry VII of England.

The voyage as a Spanish enterprise owed nothing to the young monarchs' desires for empire building

None was interested. They exhausted their wealth in battles over ownership of a town, or a river, or a forest within Europe. But they were deaf to the concept of a second shore to the Atlantic where, according to Columbus, realms beyond dreams were available for the taking.

He returned to Spain, waiting impatiently outside the royal headquarters during the protracted campaign against Granada. Years passed before the Queen's advisers, notably the baptised Jew Luis de Santangel, persuaded her to grant Columbus her patronage. What had she to lose, they urged, with a negligible gamble of three tiny caravels? They had just hoisted the royal standard, together with a huge silver cross given by the Pope, on the Alhambra, the defeated Moorish kingdom's architectural masterpiece.

Because Columbus stole the historic moment for his perilous adventure into the unknown, the immense strategic achievement in closing the Straits of Gibraltar against exit by Ottoman fleets remained for a time unremarked. It was as crucial to the future of the European races as the annexation of America. The Catholic monarchs had thereby locked the Sultan of Turkey within the Mediterranean.

Had the Sublime Porte been able to pass its ships into the Atlantic it could well have encircled this continent. Turkey was already master of the greater portion of south-eastern Europe. Western countries lay unprotected on their oceanic side, the Portuguese being too few to engage a major enemy. France was preoccupied with internal consolidation and in eternal dispute with others over the Low Countries, while England had not yet recovered from the wounds of the Hundred Years War or the Wars of the Roses.

To be sure, Turkey may not have succeeded in replacing Christianity with Islam in Europe, but physical control was all the Crescent aspired to, as in the Balkans. Ventures deep into the Atlantic would then have been automatic, with the New World doubtless given another conqueror and a different history. Moslem mariners were no less skilled than the European, as witness their navigation of the Indian Ocean as far as the Malabar coast. Portuguese ships hugged the western shores of Africa but had not as yet properly rounded the Cape.

Amazingly, Europe itself, when Columbus planted Isabella's banner on the Arawak island he baptised San Salvador on October 12, 1492, counted no more than as a mere promontory hanging precariously over the ledge of Asia. Europe comprised a jigsaw of statelets torn by perennial strife.

Eastwards, Europe was ever dangerously exposed to a resolute predator. Following the conquest of Constantinople in 1453 there seemed no stopping the Turk. He would reach the outskirts of Vienna in 1519, to hold the Austrian capital in siege for a further century and a half. He had swallowed Hungary and threatened Poland, while Muscovy had only recently shaken off Tatar tutelage.

Only in 1571 did Spain, now the greatest European power, manage to clip the Sultan's sails at Lepanto in Greek waters, where Cervantes lost an arm. The long retreat and decline of the Ottomans on land had not yet begun.

Returning to the *annus mirabilis* of 1492, we find the young Ferdinand mostly apathetic to Columbus and the consequences of a new continent joined to Spain. Ownership of the colonies came specifically to Isabella's Castile. Ferdinand was busy scheming his way into the possession of the southern half of Italy. A minor princeling on his marriage, he founded a dynasty destined for the ultimate tiara available to a European monarch – the crown of the Holy Roman Empire. Of the offspring from his union with Isabella two girls survived – the demented Joanna and the unhappy Katharine, first wife of Henry VIII.

Joanna proved the vessel in which the great design was consummated. Her marriage to a Habsburg produced Charles V, the king-emperor reigning over half of Europe and extensive dominions across the world. The last of his line, Dr. Otto von Habsburg, has renounced all claims to a throne and today sits in the European parliament as a representative of Bavaria.

So is this the picture to set the scene for the Quincentenary? Crowns lost, empires rising and declining, a theatre of global proportions with entire populations observing the spectacle? Hardly. The year 1492 heralded the Europeans' domination of the rest not only by the prerogative of conquest but also through the sinews of trade and the spirit of the Renaissance.

Within 100 years, Spain and Portugal faltered and the field lay open to expansion by England, France and Holland

Commerce reached global dimensions with the overseas acquisitions of the two Iberian powers east and west. The world's abundance funnelled into Lisbon and Seville, eclipsing Venice in the process. Lombard and Flemish bankers lubricated the system and promoted Antwerp to Europe's premier metropolis. Capitalism came into its own.

Peruvian silver soon flooded into Europe to create new money markets and destabilise currencies. Within 100 years both Portugal and Spain faltered, losing their capability to sustain their distant possessions. The field cleared for successor empires, English, French and Dutch.

Simultaneously, Europeans began exploring new frontiers of the mind. The Renaissance might be described as a rediscovery by man of his own emotional creativity. Out of Italy, impotent plaything of Franco-Spanish rivalries, the shoots grew into a dazzling cultural and intellectual harvest. This began in Tuscany, more exactly Medicean Florence, then spread throughout western Europe.

European philosophers, artists and theologians dared to challenge a doctrine that pronounced every human endeavour to be directed by God's will, unless foiled by the Anti-Christ. Thomas More's *Utopia*, published in 1516, was inspired by news of a virgin civilisation across the Atlantic to advance the idea of a state based on social justice, tolerance of all religions.

The work exerted a profound influence on some clerics, among them Bartolome de Las Casas, a friar domiciled in Mexico, who had the ear of the Emperor Charles V. In consequence of Las Casas' agitation against his fellow-colonists for their inhuman treatment of their slaves, Charles ordered stringent rules to protect the surviving Indian tribes – too late, unhappily, to avoid a genocidal catastrophe.

Current attitudes induce a cynicism regarding the intentions of Columbus, and Spain, in bringing European religion, with its social and cultural mores, to corrupt the innocents of the new territories. We protest too much. Three hundred years after the Discoverer sailed, and with the American War of Independence and the French Declaration of the Rights of Man already history, Britain began a colonisation of Australia. The result for the aboriginal population there equalled that earlier epoch of expropriation drenched with slaughter.

Barnet Litvinoff is the author of 1492: The Year and the Era, *Constable, £17.95.*

THE SEMITIC HERITAGE

Echoes of a golden age

WITH the curtain about to rise on Expo '92 at Seville, Spain intends a tour de force bridging ancient splendours with the promise of an auspicious future, writes **BARNET LITVINOFF**.

But first a stigma had to be expunged, for Seville and the Quincentenary recall not only the epic of Columbus but also the historic crimes perpetrated upon the two proud communities that shared this homeland with the Christians.

Three developments in quick succession followed each other in the early days of January 1492:

- the last Moorish kingdom ceased to exist;
- Columbus received the official sponsorship he had sought so long;
- and professing Jews were given the alternatives of conversion or departure from *Spanish dominion.*

Influential Jews, notably Abraham Senior, the Crown Rabbi of Castile, and the "converso" Luis de Santangel, Treasurer of the Royal household and the man who persuaded Isabella to grant Columbus her assent, employed every argument to annul the edict.

In vain. Catholic hysteria swept the land on Granada's extinction. The decree was to take effect on March 31 with four months grace allowed for the people to liquidate their affairs.

In the event, some 150,000 Jews departed, of whom about 20,000 (the very poor, of course) disappeared in transit, either dying of starvation or sold into slavery. Senior himself led 50,000 or so into the Church, the king and queen standing as godparents at his baptism.

Off went the Jews, the majority in temporary sojourn, at a price of eight cruzados per head, to Portugal. A warm welcome awaited many others in Turkey and the Low Countries, where they revived their fortunes.

The expulsion of the Jews in 1492 coincided with the institution of a regimen of brutal oppression against the Moors, until they too were driven out of Spain in 1609. Theirs was a lingering agony of persecution with the proscription of the Arabic language, until they too were expelled in 1609. Some 275,000 Hispanic Moslems took to the Maghreb.

The Jewish presence in Spain dated back to Roman times; the Arabs to AD 711. Both Semitic races had produced philosophers, scientists and poets to cross the divide separating east and west.

Little wonder that the present government of Spain felt honoured to host the first direct negotiation between Israelis and Arabs last year.

By a paradox, all three peoples, Catholics, Moslems and Jews, before their incompatibility was declared, cohabited in relative harmony for many centuries. In contrast with their golden age of science and culture, the rest of Europe dwelt in a medieval chiaroscuro rife with lawlessness and illiteracy. While Toledo gave the hallmark to Jewish achievement, Seville on the banks of the Guadalquivir rivalled Granada and Cordoba in grace and purposeful activity.

Toledo is being reclaimed as a cultural and spiritual centre for Sephardic Jewry, while Seville (in Arabic *Ishbiliya*) will extend a welcome to scholars from the Islamic world.

Seville was the principal port of the Spanish-American connection and enjoyed the monopoly of all Atlantic trade for 200 years following the expedition of Columbus. One might have thought, therefore, that this city and its hinterland would have flourished ever afterwards. But Seville's prosperity, attracting entrepreneurs from all Europe, could not endure.

Situated deeply inland on the river, it suffered a gradual silting and the spread of marsh. Cadiz supplanted Seville as the leading port early in the 18th century, precisely as Antwerp stole the role from Bruges in earlier days.

Seville's present population *of 700,000 is half the size of* Cadiz. Nevertheless the authorities hope to revive its fortunes by renewing the Ibero-American bond which gave the city its unique position in mercantile history. Expo '92 is making the association with Latin America one of its major concerns. In this it includes Portuguese-speaking Brazil and the proliferation of Hispanics in the US. Transatlantic investment is being encouraged as well as cultural exchanges and, of course, more visits from the general public. Spain believes it will thus bring an extra dimension to its participation in Europe.

One Spanish characteristic is a preoccupation with the national past, almost a neurosis. The Inquisition was inaugurated in Seville in 1478, originally against Papal opposition: this cruellest of tribunals – hands chopped from the "guilty" preceded the consignment of living men and women to the pyre – was not directed against Jews and Moslems who openly professed their faith. By Catholic doctrine they were doomed for perdition anyway.

The Inquisition sought out heretics, mainly converted Jews who, having accepted baptism, were believed to be practising their Hebraic rites in secret. A person (and they included Catholic priests) might be arraigned on the strength of information brought to the tribunal by an aggrieved servant, even an estranged relative. There indeed existed such closet Jews (closet Moslems were much fewer) who proclaimed their true identity and followed the overtly orthodox into exile on the Edict of Expulsion in 1492.

Superstition has it that a curse was laid upon Seville as the place where in 1480 the Inquisition was begun in Spain. It was also established in Portugal and subsequently in the colonies overseas, surviving, with chastisement of Protestants, too, until 1820. King Juan Carlos has just joined hands with the President of Israel at a service of reconciliation in Madrid's synagogue: atonement for the infamy of his ancestors.

So be it. Jews have not forgotten that General Franco, a fascist dictator, refrained from joining Nazi Germany in the Second World War, and protected refugees succeeding in finding a haven across the Pyrenees.

FINANCIAL TIMES WEDNESDAY APRIL 15 1992

Tom Burns offers practical hints on the art of surviving Expo

Short cuts to a happy visit

How long to stay? The organisers say that the conscientious Expo '92 visitor will need 100 hours to "do" it properly. Promoters of such events are honour-bound to make such claims. But in the case of this Universal Exposition, the biggest ever staged, the boast is not so wild.

There is a truly daunting amount to see and sample. A total of 110 nations are taking part. The previous Universal Exposition was set by Osaka, Japan, in 1970 when there were 77 participating countries.

Those who are painstakingly thorough should therefore take out a Pta30,000 ($300) season ticket for the show's six-month duration and spread their visit.

By the end they might never want to be within a 100-hour radius of anything that calls itself a multimedia experience or that mentions the word "discovery" in its promotional blurb.

Others will find the three-day Pta10,000 pass more than sufficient. Only the "if it's Tuesday it must be Seville, Spain" brigade will want to go for the one-day Pta4,000 ticket. Over-65s and children aged five-14 will pay Pta1,500 for a day ticket and the under-fives get in free.

Those who just want to party in Seville during the coming months should note that a Pta1,000 Expo Noche ticket will give them the run of the exhibition zone between 8pm and 4am. They will also have two hours in which to see some of the pavilions before these close at 10pm.

A Pta10,000 Expo Noche season ticket will keep the the ravers fiesta-ing after-hours from April to October. They, too, might never want to hear flamenco hand clapping, salsa or Caribbean steel bands for a very long time.

Choice of accommodation: Seville's hotel prices have gone through the roof. Travel agents will normally be booking for their clients through an Expo organisation called Coral which controls most of the hotel beds in the city. The cost is quite exorbitant.

Those not prepared to be fleeced by a three-star hotel which has doubled its rates to charge $200 a night should head for the Costa del Sol, drive inland from Seville to the neighbouring city of Cordoba, or get out of Spain altogether and into Portugal's far more reasonably priced Algarve resorts. There is plenty of accommodation within, at most, a 2½-hour drive from Expo.

Coral has also organised a bed-and-breakfast network in Seville private homes and acts as a clearing agency for local camping sites.

What must not be missed: The must exhibits are the theme pavilions. One of them, which was dubbed Expo's Time Machine and dealt with discoveries over the past 500 years, was gutted by fire in February. But four remain to take visitors from a pre-renaissance and pre-Columbus world to a space travel future. In the middle of it all there is a recreation of Seville's 16th century harbour, the port that monopolised the yellow brick road to El Dorado.

Anything between 10,000 to 20,000 souls are expected at the theme pavilions every day. They will encounter a combination of light and sound, of laser projections and films, of humans and robots, of interactive things to play with and things to look at, of objects and artefacts that will be both genuine and reproduced.

Once in Seville there is no problem reaching Expo: it lies on an island in the Guadalquivir river that girds the city

The organisers promise a "new exhibiting philosophy" that is described as "a far cry from traditional museum norms". The emphasis is on "atmosphere and metaphor", on "communication and participation".

Those who shy away from such venues should find solace in the adjoining botanical and tropical gardens where the electronic world will be noticeable by its absence. These gardens contain 1,000 plant species, nearly half of them from Latin America

Certain national pavilions, undoubtedly Japan, Italy and Spain, will draw the big crowds. But the undervisited pavilions will also offer unexpected rewards.

Those who bypass the Swiss pavilion, for example, for fear of gnomes and cuckoo clocks, will miss a restaurant created by Swiss artist Daniel Spoerri who was a friend of Andy Warhol.

It has remnants of food glued on to the walls (hygienically lacquered over), tables covered by half finished meals hanging from the ceiling and a central fountain made out of 100 meat grinders. The decor may be very un-Swiss but the food is of the safe fondu variety.

There are contrasts aplenty at Expo. Monaco's pavilion is mostly a walkthrough aquarium and Saudi Arabia's is furnished by desert sands. Haiti has brought to Seville the anchor that belonged to Columbus's flag ship, the Santa Maria. Some 60 security guards will be guarding an original American Bill of Rights in the US pavilion.

One part of the Expo spectacle is the architectural bravado of the site and the imaginative use of cooling fountains, water channels and luxuriously hanging gardens. The other is the non-stop open-air entertainment provided by street theatre groups and bands.

Avoid the intense heat of July and August, when the crowds will be biggest

As dusk falls a daily cavalcade starts up and nightfall is marked by fireworks and more laser beams in yet another multi-media show, a gigantic one this time that is staged over the site's main lake. Then, with Expo Noche, the night-time knees-up gets underway.

After-hours events include film shows of the silver screen's greats for those who are incapable of moving another inch.

Among the more mind-boggling of Expo's steady stream of statistics is the promise of 55,000 live performances of one kind or another, the vast majority of them free, over its six months duration. Some performances are not free but very much worth paying serious money for.

When Expo is over and done with, Seville should seriously consider renewing annually the arts festival that it has created in the shadow of the high-tech extravaganza.

The best time to go: Avoid July and August. These are the months when Spaniards, like most people, take their holidays and they for certain will be making a bee-line for Expo. Seville's temperatures in those months will be anything between 36 deg C (97 deg F) and 44C (111F). Even if the bioclimatic cooling features of the exhibition zone are all they are cracked out to be, it will still be incredibly hot.

May and September are Expo's best months from the weather point of view. The trouble is that a lot of people know that. June is on balance the best bet.

Once in Seville there is no problem reaching Expo for it lies on an island in the Guadalquivir river that girds the city. Visitors may enter by river boat, picking up a launch at the Torre del Oro in downtown Seville, by train on a commuter link with the city's railway station, and by cable cars which depart directly opposite the Exposition zone and whisk across the river into the centre of Expo.

Visitors can also walk across one of three stylish new pedestrian bridges thrown across the Guadalquivir to the island and which are served by the city's buses.

A slower stroller starting from Seville's cathedral can make the first of the bridges in less than half an hour.

All entrances to Expo should be approached with reserves of energy, light clothing and a high degree of tolerance for excitable crowds.

SPANISH VIEWPOINT

A beneficial conquest

PILAR CAMBRA argues that Spain should feel pride, rather than shame, at its record of colonisation in Latin America

FOR the past 18 months public debate about 1492 and all that has dwelt excessively on the guilt that Spaniards are expected to feel over their role in Latin America.

There is no calm debate about the implications of the discovery of America, simply an insistence that things would have been better all round if on October 13, 1492, after a day's rest on the island which he called San Salvador, Columbus had simply turned round and gone home.

However, the Spaniards who found America were motivated by three things that we have never tried to hide – idealism, economic necessity, and a scientific curiosity about geographic theory.

Of course, among the Discoverers there were psychotics worthy of attention by Sigmund Freud as well as cruel and greedy men. But there were no professional exterminators.

It is absurd to assume that Hernan Cortez had genocide in mind as he moved into huge and unknown Mexico with an army of 200 footsoldiers, 15 horsemen and 1,500 friendly Indians.

In the eyes of the great Aztec Empire, Cortez and his cast must have resembled a line of ants that August of 1519. Pizarro did not take many more troops with him to the Peru of the Incas, who numbered 20m.

Reading Bernal Diaz del Castillo, one of Cortes' soldiers and the best reporter of the times, the Discoverers seem like wide-eyed Indiana Joneses, constantly amazed by new worlds, new cultures and new adventures.

And how quickly they did their work. By 1550, only 58 years after Columbus's navigational "mistake", the American continent had been mapped in detail from the Rio Grande to Tierra del Fuego. After Europe it was easily the best documented continent.

As both technocrats and idealists, the Discoverers knew exactly what they had to do. If the hostility of the Mayas, the Incas, the Aztecs or the Carib Indians demanded war, then they fought. But their objective was not war but to claim new souls for their God and land and riches for their Kings. They were not choosy about the prizes either. Gold and silver were valued, but so were Andean llamas, tobacco, tomatoes and potatoes. And there were no slaves among that booty.

The Spanish and Portuguese coined a new verb in Mexico and in central and South America – *colonizar* (to colonise). But it would soon become common usage by the other European powers as well.

Spain and Portugal, a historian has written, "sent to America handpicked subjects – not groups of prisoners – who created families, homes and cities and rebuilt there the same laws as in the mother country. They went to America because they had found it but also with the blessing of the Catholic Church justifying occupation if it was accompanied by evangelising. And in those days to evangelise was to civilise."

So the Spaniards went, and gave political and administrative identity to their American territories; as a civilising vehicle they used a common language, Castilian, and they educated Whites and Indians in the same schools and universities from the beginning of the 16th century. They eliminated polygamy, cannibalism and human sacrifice.

Spaniards took to America their ways of loving and believing, of hoping, of dreaming and of dying. And they did it in the only easy and efficient way – *el mestizaje* (crossbreeding).

Today, 55 per cent of the population of Mexico is *mestiza*. The union, which did not result from wholesale rape, began quickly. An Indian woman became Hernan Cortes' closest companion during his Mexican adventure and he is said to have loved her passionately.

We Spanish do not expect much praise for having invented this humane form of colonisation. Crossbreeding is, for us, quite natural, and we were not doing anything in America that other peoples had not done for centuries in other places.

It is easy to criticise October 12, 1492 and its consequences. But the Discovery meant the beginning of a new trade route, new colonies and a new cultural frontier. For those already there – Mayas, Incas, Caribs and Aztecs – it constituted a great leap forward from Prehistory to Modernity. Sooner or later, America would have had to make that leap.

Many people say that all this history simply boils down to the meeting of two cultures: on the sands of Guahani Columbus and his crews were astonished at the stiff hair of the Indians and, upon seeing them nude, pitied their "poverty". The Indians, for their part, were intrigued by the beards of the Spanish and cut their fingers on their swords.

Five hundred years later, the cultures of Spain and America still throw up remarkable encounters; a few months ago the foremost conservative leader in Spain, Manuel Fraga Iribarne, was in Cuba, where he embraced Fidel Castro, the last and most recalcitrant exponent of Marxist Leninism in the Caribbean.

Five centuries after the Discovery, I fully endorse the judgment of the historian Arnold Toynbee:

"I admire the work done by the Spanish Crown and by the Catholic Church in this vast region. I admire the Crown for having kept the conquistadores under control. The conquistadores were greedy, cruel and revolting. They were also brave.

"They were, therefore, formidable. And I admire both, the Crown and the Church, for having treated the natives as human beings and for trying to protect them."

The writer is a senior editor at Expansion *in Madrid*

SEVILLE AND WORLD EXPO 8

Top international designers have a field day, writes **Colin Amery**

A feast of architecture

STOCKHOLM FAIR, 1930; New York World Fair, 1939; Festival of Britain, 1951; Brussels World Fair, 1958; Montreal, 1967; Osaka, 1970 – the list of great exhibitions this century has offered a great series of opportunities for architects and builders to raise structures symbolic of their times. How often have the opportunities been seized to make architectural and engineering advances that might compare to the daring originality of the Crystal Palace designed for the Great Exhibition in London of 1851?

It was in 1929 that Seville last hosted a great international exhibition, the Exposicion Ibero-Americana which was a companion to the Barcelona Exposicion Internacional in the same year.

This year, the original plan was for Chicago to share the commemoration of the 1492 journey of discovery to America by hosting a parallel event in the Windy City. It would also have marked the 1893 World's Columbian Exposition – one of the most architecturally magnificent fairs on the shores of Lake Michigan but its palaces were made of plaster and decidedly temporary.

Architecturally, what is to be made of Seville's expo? Siting the Expo on the 500 acres of the island of La Cartuja provided a more or less virgin site around the old monastery. The situation also necessitated new bridges and an upgrading of the river banks which will be a positive and lasting benefit to the city. The island site has natural limits and so any visitor may well be surprised at the very high density of the exhibition layout. There are 103 participating nations and, although the planning allows for shaded walks and fountains, the pavilions are crammed together.

The architectural dilemma facing any designer for a pavilion for a world fair is how can contemporary architecture, which is more or less a universal language, be used to exemplify national characteristics ? National architectural styles do appear at Seville, but the overall appearance is of futuristic modernism in keeping with the theme of "Discovery" which runs through the fair.

The organisers of the fair did lay down some ground rules for designers. They insisted on what they called "urban architecture" – more substantial designs than is usual for temporary exhibitions as some 35 per cent of the structures will remain as will most of the infrastructure as the basis of a science and research park. Maximum height limits have been imposed (up to 25 metres) and, in the turgid language of the brief, "homogenous density of building following a city/garden typology", has meant an agreeable scale and a sense of an extremely well landscaped site.

There has also been insistence upon "green" environmental conditions and the use of water and planting to ensure some relief from the intense heat of a Seville summer. There is also a unity of design in the street furniture, signage, paving, pergolas, and fountains. The overall sense of a site devised to reflect the best features of outdoor Mediterranean life looks very successful.

The whole site is organised into a series of five international avenues, and an avenue of discovery that is the backbone of the expo. There is also a series of special public and performance areas around water. There are, besides the national pavilions, theme pavilions on subjects such as "discovery", "the future" and "navigation", and the Expo Building itself, which has a definite future as a World Trade Centre.

It is the Avenue of Europe (designers Hennin and Lippsmeier) which is the visible centre of the site. Here is also made plain the difficulty that modern designers have in expressing political ideas in any convincing built form. The 12 countries of the European Community are represented by 12 30-metre high towers.

In shape these towers resemble the chimneys of the old Carthusian monastery and they are also designed to cool the air in the manner of the simple towers that cooled Moorish houses in Spain and North Africa. At the centre of the European boulevard is a giant plastic funnel composed of a swirl of translucent flags of the 12 nations. The lack of any shared symbolism is depressing – the glorious union of a free Europe that has vanquished communism and atheism is not represented !

For the visitor it is worth singling out some of the most interesting architecture of the national pavilions. With more than 100 to choose from the selection has to be subjective. The most cohesive and effective example of national architecture is the Japanese pavilion designed by Tadao Ando. It is a 25-metre high timber structure that is reminiscent of a brooding ancient temple. An escalator and staircase climb steeply to the bridge that is at its centre. It is both monumental and simple – and cleverly representative of both the past and the present in Japan.

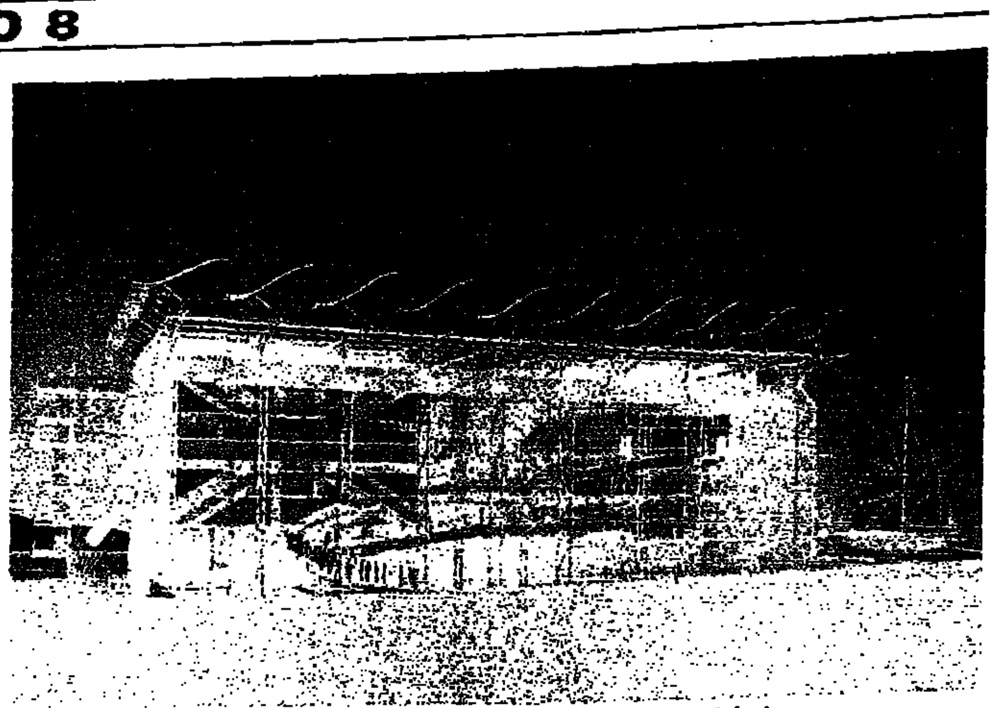
The Greek pavilion (architect Mariano Villalonga) looks like a truncated petrol station with a few attached columns; and the Italian pavilion (architects Gae Aulenti and Pier Luigi Spadolini) sadly is more like an office block than the fortified Italian palazzo it is supposed to represent.

The Hungarian pavilion (architect Imre Makowecz) is a remarkable and beautifully built example of a national tradition. Representing a seven-towered wooden rural church, the interior is filled by a complete tree, its roots visible through a glass floor. The symbolism is clear – a country wanting to show that its roots belong in the west and it is now free to celebrate both its history and its future.

The British pavilion is designed by Nicholas Grimshaw and it takes up the water theme of the expo in a spectacular way with a wall of moving water as the main elevation of the pavilion. Is there some significance that the British pavilion faces down the Avenue of Europe but has to be entered by a bridge over the troubled waters of its own moat?

As an example of high-tech architecture the British pavilion is one of the most rational designs and visually undoubtedly a great success. It is worthwhile to compare it with the German pavilion – another exercise in structural virtuosity designed by architect Lippsmeier.

Although the architectural opportunities at Seville have been significant I suspect that it will be the planning of the site and the landscaping efforts that have been made to cope with the extremes of climate that will be of more lasting interest and value. Visitors will probably sense how hard it is for contemporary international architecture to reflect national values. The memory they take away will be of trees and fountains and perhaps the brooding presence of Japan.



The British pavilion: a visually successful example of high-tech rational design

The Reales Alcazares: languid lightness and more treasures

Tom Burns in the hidden city

Inhale jasmine sense the past

CONNOISSEURS of Seville descend on it throughout the year to sip a chilled fino, to inhale jasmine and orange blossom, to look at art treasures and to sense the past. The current hype about the city might put them off visiting it until the universal show is all over and that could be a mistake.

The Expo months when everybody, starting with the locals, is packed into the Isla de la Cartuja's Exhibition zone until four in the morning, ought to be the best time to rendezvous with the half as old as time Seville that knows nothing and cares less about electronic visual displays.

Instead of boarding an Expo-bound bus on the River Guadalquivir's embankment by the drum-shaped Torre del Oro watchtower, such visitors should cross the Paseo de Colon boulevard to the newly built Maestranza opera house and stroll into the city heading towards the Cathedral.

There will be a Zefirelli production of Don Giovanni at the Maestranza in September and doubtlessly there will be many more to come in the years ahead. Those who really want to meet the role model for the Mozart-Da Ponte hero should visit the Hospital de la Caridad which lies just behind the opera house.

Built as an old people's home in 1645, the Hospital's cool courtyard has all Seville's decorative bags of tricks – geranium pots, glazed tiles, stucco, and pastel strips of ochre and bull's blood on blindingly whitewashed walls. Its adjoining church drips with baroque ornateness.

The building was endowed by the original Don Giovanni, an aristocratic hell raiser and womaniser called Miguel de Mañara who became a charitable benefactor after narrowly surviving one of his endless duels or (according to another version) the death of his long suffering pious wife.

Never one to do things by halves, Mañara founded a religious order called the Very Humble Brotherhood whose principal job was to bury the city's paupers and its executed criminals. The Hospital, where he is buried, was Mañara's chief legacy and two Valds Leal pictures in the Hospital's church were the weird emblems of the reformed rake's regained paradise.

Valds Leal, a Sevillian contemporary of Velazquez, Zurbaran and Murillo, was commissioned by Mañara to paint death with all the trimmings. His rendering of rotting flesh and crumbling earthy goods, of worms and maggots, is an astonishing allegory of the obsession with decay that marked the baroque period in general and Sevilla in particular.

There are more art treasures and sensations in the Cathedral, a power statement if ever there was one, and in the Reales Alcazares, the nearby Moorish palace where all is languid lightness after the Cathedral's gothic gloom. Later Christian kings added extensively to the palace and to its gardens but they retained, even improved upon, the sherbet sparkle that the first emirs built into their home.

There are scents aplenty in these gardens and they lead the visitor by the nose into the Barrio de Santa Cruz, Seville's pueblo within a city neighbourhood that lies beyond the walls of the Reales Alcazares. In the heart of the Barrio, the plaza de los Venerables is most Seville lovers' favourite bijou square.

Occupying one of the plaza's façades, the Venerables building, once a home for retired Cathedral canons, has recently been restored to serve as an exhibition centre. It has a stunning columned patio built around a fountain that is driven, Moorish-style, into the ground. The ubiquitous Valds Leal decorated the chapel.

On one corner of the plaza de los Venerables, the Casa Romn has smoked hams swinging from its roofbeams, period Sevillian pictures on the walls, sawdust on the floor, platters of tapas spreadeagled around the bar and ice cold fino on tap. There are umpteen such places in Seville but a good one for more sipping and nibbling close by is the Bar las Teresas which stands on Calle Teresa, the street where Murillo lived and died.

Las Teresas has the inevitable bullfight photographs, glazed tiles and hams overhead. It also has a good-looking big wall clock which must have been locally manufactured. The clock has "Sevilla" engraved on its face and it makes a telling point about the city's sense of pace for it has been stopped at 11 o'clock since as far back as anyone can remember.

Nobody need be a Seville connoisseur to think of walking through the Barrio de Santa Cruz late at night when the moon hangs from the Cathedral's Giralda tower and purposefully getting lost among whitewashed alleyways and intimate plazas, dodging past orange trees, brushing against the hanging jasmine and avoiding the thorns of the bougainvillea creepers.

But veteran Seville hands usually end up in a drinking haunt of old called Abades which has no welcoming sign on its great coffered doors. It is a 17th century town mansion that lies on Calle Abades number 13, just between the Barrio de Santa Cruz and the Cathedral.

Sedately chic with decadent undertones, Abades is where people drink and chat into the early morning and reassure themselves that in Seville they are zillions of miles from anywhere, Expo '92 included.

Banking: authorities are tightening up in some areas: Page 2

MONACO

Tourism: still playing a pivotal role in the economy: Page 4

SECTION IV

Wednesday April 15 1992

Although the grand old days when Europe's aristocracy whiled away their summers at the Hotel de Paris are over, Monaco is still one of the most expensive and exclusive resorts, says Alice Rawsthorn who wrote this survey. The principality must now face the challenges of a unified European market after 1992

Royal legacy lingers on

Monaco: For the foreseeable future it is set to continue basking in the sunshine and struggling with the pros and cons of the legacy of Charles III, its visionary prince

IT was back in the mid-19th century that the seeds of modern Monaco were sown. The French riviera was flourishing as the wealthy citizens of Paris and Lyons tumbled off trains into the sunny towns of Nice and Cannes, but Monaco was still a poverty-stricken principality of straggling orchards and olive groves.

That was before Prince Charles III, heir to the throne, realised that gambling, then illegal in France, could coax visitors away from Nice and Cannes to Monaco. He was right. By the end of the 19th century his principality was prospering and Monte-Carlo, an old olive grove hastily renamed in his honour, had become the smartest spot on the Mediterranean as the old and new wealth of Europe congregated in its luxury hotels – and, of course, the casino.

From a modern perspective, the legacy of Prince Charles has been both a boon and a bane to Monaco – a boon because of the prosperity he created and a bane because of the sleazy aura of that early era of legalised gambling. His successors, and their subjects, have since been struggling to strike a balance between the two.

This conflict has come to a head most poignantly under the present sovereign, Prince Rainier, who since 1946 has been responsible for the government of Monaco and for forging placable relations with its powerful neighbour, France. It has been said so often that Prince Rainier has saved Monaco that it almost seems a cliché to repeat it, but any analysis of the principality's post-war development suggests that it is true.

When Rainier took the throne at the age of 26 in 1949, Monaco was little more than a playboy's playground for the seedier sort of sybarites that converged on the Côte D'Azur each summer. Worse still, it was in dire danger of falling prey to the darker elements of the Mediterranean underworld from Nice and Marseilles.

A glance at the latterday front pages of Nice-Matin, which covers the adventures and misadventures of neighbouring Provence, spells out the risks. Day after day the paper is packed with horror stories of heroin hauls, cocaine busts and particularly messy Mafia-style murders.

Somehow Prince Rainier had to spruce up Monaco's image to attract respectably wealthy residents and visitors, thereby creating long-term employment and business opportunities for the indigenous Monégasques to prevent them emigrating to the US and Europe.

For the most part he has succeeded. Monaco, with its pretty villas and *belle époque* apartment blocks, is the home of a number of prominent expatriates – among them Mr Karl Lagerfeld, the pony-tailed fashion designer behind Chanel, Mr Bob Beckman, who made his millions predicting doom and gloom on the world stock markets, and Mr Boris Becker, the Teutonic tennis star.

Although the grand old days when Europe's aristocracy whiled away their summers at the Hotel de Paris are over, Monaco is still one of the most expensive and exclusive resorts on the Mediterranean.

Moreover, the Monégasques have stayed. Monaco has been spared the same waves of emigration of other tiny European states such as San Marino which, until recently, has seen its indigenous population drift off to look for jobs in other countries. The Monégasques represent nearly 4,500 of the principality's 27,000 or so inhabitants. They tend to stay in Monaco for secondary education but leave for France to go to college or university. They almost always return to work in their native state.

The Monégasques are entitled to have special housing subsidies, although this does not fully compensate for the difficulty of finding affordable apartments in a property market where prices are inflated by the influx of wealthy expatriates.

Similarly, although the price of a Hermes bag or a Chanel suit is the same in Monte Carlo as in Cannes or Genova, the cost of everyday items such as food and household goods is extremely high.

The *basse* and *moyenne corniches* out of Monaco are crammed with the cars of the Monégasques, and even of the rich residents, on their weekly shopping trips to cheaper supermarkets over the borders into both France and Italy.

Prince Rainier has also insisted on preferential employment for the indigenous population. They have guaranteed jobs in government service. All Monaco companies have to offer jobs first to the Monégasques, then to local residents, and then to the inhabitants of the four neighbouring French communes before looking further afield.

Local employers complain that these privileges have pampered the Monégasques, making them lazy and complacent. But the Monégasques are a charming people. Their friendly demeanour and laid-back ways undoubtedly add to Monaco's appeal, giving it a special ambience that stops it becoming yet another glitzy tourist resort.

But Prince Rainier's biggest achievement has been to stimulate the local economy by creating two thriving industries in banking and tourism.

The principality's banks have prospered by using its tax advantages (for everyone except French citizens) to turn Monaco into a deposit centre for wealthy private clients. For the past five years, since the French government abolished exchange controls, the banking industry has boomed. There are now nearly 40 banks in the principality, double the number of 10 years ago. The value of deposits lodged in their vaults rose by 20 to 25 per cent a year in the late 1980s and even increased by a little less than 20 per cent to around $10bn in 1991, a grim year for most areas of international banking.

There are some clouds on the horizon. As the local banks are well aware, the same light level of regulation that attracts their rich depositors also runs the risk of bringing in less salubrious customers whose activities, if they attracted the attention of the French or Monégasque authorities, could herald more rigorous regulation.

The collapse of Banque Industrielle de Monaco (BIM) in 1990, accompanied by the suicide of one executive and the arrest of another, fulfilled their worst fears. The authorities are now reforming some aspects of banking regulation although there have been no serious scandals since the BIM debacle.

The local tourist industry is buoyant too. For years, Monaco basked in the allure of the fairytale romance between Prince Rainier and his wife, Grace Kelly, the Hitchcock blonde and Hollywood star. Since Princess Grace's death in 1982, the gossip columnists have turned their attention to her children – Caroline, Albert and the wayward Stephanie – whom they pursue with equal enthusiasm, ensuring that the Monégasque royal family is never far from the headlines.

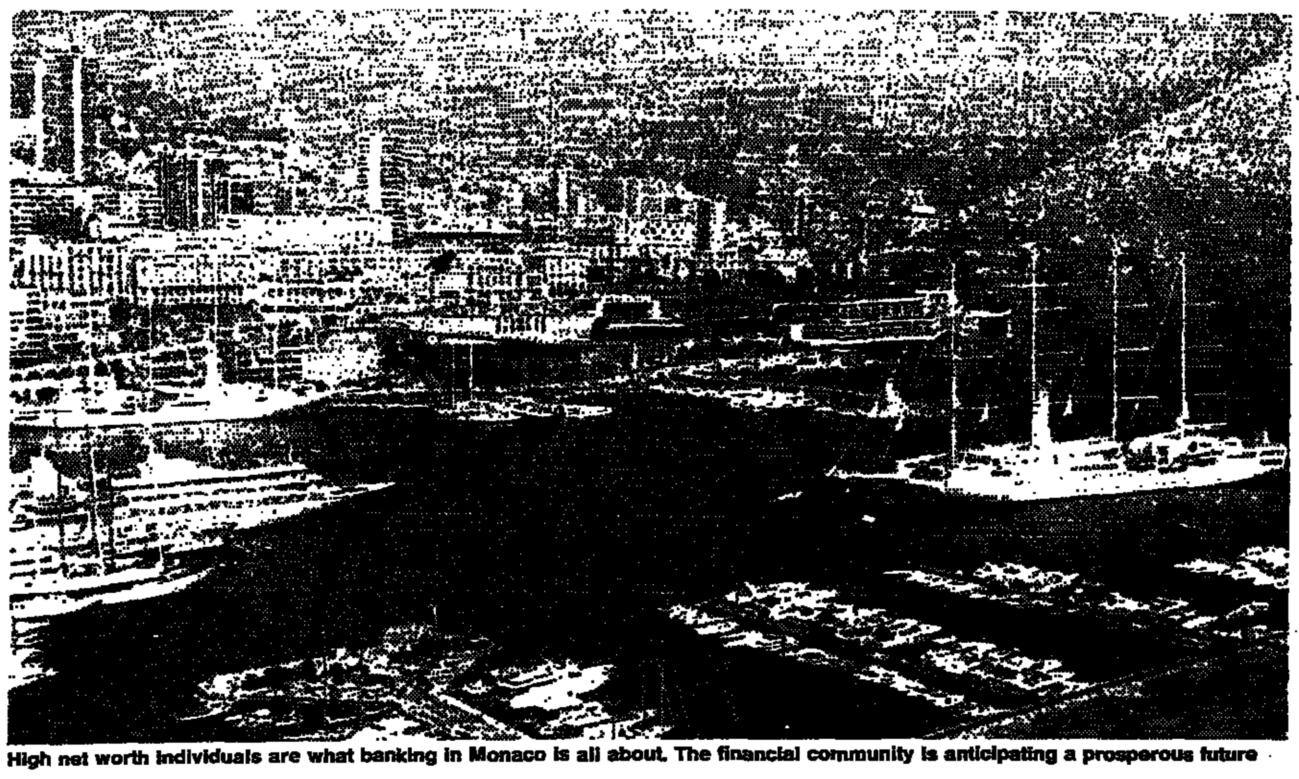
Monaco, with its sunny climate and the luxury yachts glistening in its harbour, now attracts 3.5m visitors a year. Most are day trippers who come to admire the Garnier grandeur of the casino, to check on their deposits at the local banks, or to watch the changing of the guard at Prince Rainier's pink palace. But the principality still attracts about 240,000 overnight visitors and is now expanding its conference and exhibition activities to enhance its appeal to the burgeoning business travel market.

Prince Rainier has endeavoured to broaden the base of the local economy, notably with the Fontvieille development of 22 hectares of reclaimed land to the west of the old town, which is now a centre for light industry and low-cost housing. This initiative will continue, according to Mr Jean Pastorelli, government counsellor for finance, with new land reclamation and development projects to further expand the economy into the next century.

In the meantime, Monaco faces the more immediate challenge of the implications of the unified market in Europe after 1992. The most pressing issue is the forthcoming reduction in the rate of value-added tax in France, probably from an average of 18.6 to 17.5 per cent. Monaco will be forced to follow suit – given that its rates are linked to those of France – creating a shortfall in state revenue. Mr Pastorelli is confident that this will be countered by a corresponding increase in consumer spending.

The unified market would only pose a serious threat to Monaco if, in the longer term, it affected its fiscal status. The biggest problem would be if Monaco lost its tax advantages over other European Community countries, so that their citizens, like the French, could no longer avoid paying tax on deposits in the principality. If that happened there would be a run on the banks, foreign residents would flee, property prices – and the local economy – would collapse.

Such an apocalyptic prospect seems remote, at best. For the foreseeable future, Monaco seems set to carry on basking in the sunshine and to tussle with the legacy of Charles III, its visionary prince.



High net worth individuals are what banking in Monaco is all about. The financial community is anticipating a prosperous future

☐ BANKING

Safety and security

EVERY morning a fleet of shiny Mercedes pour over the Italian frontier into Monaco to deposit their fur-clad passengers into the Louis XV restaurant of the Hotel de Paris for lunch.

These rich Italians are the bread and butter of Monaco's banks. For, after lunching at the Louis XV and shopping at Louis Vuitton, they then pop into their banks to check on their tax-free deposits.

"High net worth individuals are what banking in Monaco is all about," said one local financier. "The tax advantages are important, of course, but there is also the ambience. These people are too frightened to walk around Torino or Milano. They can't wear their furs. They can't park their cars. *Here they feel safe. They could* walk around in their jewels all day if they wanted to."

So far the banks have *thrived on Monaco's appeal to* this wealthy clientèle. Business had always been buoyant for the Monégasque banks, but *for the past* five years, ever since the French government removed exchange controls and their customers could move money in and out more freely, they have flourished.

The value of deposits lodged in Monaco is believed to have risen by between 20 and 25 per cent a year throughout the late 1980s and mustered growth of just under 20 per cent to about $10bn last year. Ten years ago there were 20 banks in the principality, now there are nearly 40. The only recent casualties have been Chase Manhattan, which closed its Monaco office as part of its internal restructuring and the local branch of BCCI.

"In difficult times people look for safety and security from their investments," said *Mr* Yves Max, *director-general* of Crédit Foncier de Monaco, a subsidiary of Suez, the French financial group, and the principality's *biggest single bank.* "Even 1991, a dreadful year for banks in other countries, wasn't too bad for Monaco."

Most of the Monégasque banks are subsidiaries or affiliates of international groups, mainly of the big French banks such as Suez, Paribas, Crédit Lyonnais and Société Générale – although Italian, British and, to a lesser extent, American banks are also present.

The bigger banks operate as retail banks for residents and are also involved in advising and financing local businesses, mainly in the property industry. There are some local investment institutions, notably *the Monaco* Treasury, Société des Bains de Mer, the state-controlled hotel and casino group, and a handful of *small pension funds.*

But the bulk of their business is in dealing with wealthy private clients. These clients are undoubtedly attracted by Monaco's tax system where everyone, except the French, is exempt from tax. The French have been taxed on any money deposited in Monaco since 1962 when General de Gaulle, infuriated by the number of rich Frenchmen using Monte Carlo *as a tax haven, sent his troops* to seal off the border until Prince Rainier agreed to compromise.

Monaco is at a disadvantage compared to other 'tax havens'

*Monaco is, however, at a dis*advantage compared to other "tax havens" such as Luxembourg and Switzerland in that the rules on disclosure are far stricter. The Monégasque government is empowered to demand access to all information on bank accounts.

Until recently, the local banks tended to concentrate on customers in neighbouring Italy and North Africa (with which they have long links thanks to France's colonial ties). Now they are looking further afield.

Paribas and Crédit Foncier both send sales executives to other countries. "We see northern Europe and the southern Mediterranean as important growth markets," said Mr Michel de Robillard, director of *Crédit Foncier. "We, like the* other big Monaco banks, are now much more active at international marketing."

The critical question for the Monégasque financial community is how it will develop in the future. To some extent this will be determined by the direction of Europe's financial legislation in the post-1992 unified market. The worst possible scenario would be for other European countries to align with France and wipe out the principality's tax exemption.

Such a scenario would have dire consequences for the local economy. But luckily for the Monégasques it seems improbable, at least for the foreseeable future. Instead, the banks are more likely to see some moderate reforms in the level *of regulation.*

For operational purposes, the Monaco banks come under the joint jurisdiction of the French and Monégasque authorities. They follow French banking regulations and all securities dealings come under the scrutiny of the Parisian stock market authorities.

This system is designed to enable the Monégasque government to strike the delicate balance between making Monaco flexible enough to attract investors without scaring them away – and attracting the wrath of the French authorities – with scandals.

Most of the time the system works. "People play by the rules," said Mr Joseph Sauzier, director of Société Générale's *Monaco operations.* "After all, it is in our interest to do so. The bigger banks here all belong to large financial groups with tight management and financial controls."

But from time to time things go wrong as illustrated by the collapse two years ago of Banque Industrielle de Monaco, the principality's sole surviving fully independent bank. The murky details of BIM's demise – from the suicide of one senior executive, to the arrest of another and the discovery that it made a great deal of money from bearer deposit notes held by Monégasques as "cats' paws" for tax-dodging French citizens – fulfilled the financial sector's worst fears of a local scandal.

Bigger banks admit, privately at least, to being terrified of another BIM-style collapse.

The authorities are already tightening up some areas of banking regulation although Mr Jean Pastorelli, counsellor to the government for finance, insists this has nothing to do with BIM's demise. Legislation is under way to make Monaco's laws on money-laundering the same as those of France. Other reforms are in the pipeline.

In the meantime, Monaco's financial community is looking forward to a prosperous future. "There are now nearly 40 banks here employing around *1,200 people," said Mr Gilles* Trousseau, director of Paribas. "But there is lots more potential. There is no reason why we shouldn't have 50 or 60 banks with 2,000 employees."

☐ PROFILE: Société des Bains de Mers

Gambling on the gamblers

IF you ask the chairman of one of Europe's larger leisure groups about his company's prospects for the coming year, you don't really expect him to say that it depends on how many high stakes gamblers, or *grands joueurs,* come to his casinos and whether they win or lose.

But that is exactly how Mr Raoul Biancheri, executive chairman of Société des Bains de Mers (SBM), by far the biggest single business in Mon*aco, responds to such a ques*tion. "In a business like our's, the *grands* (itals) *joueurs* (itals) can make an enormous difference," he says. "Everything depends on whether they come to Monte Carlo and on how well they play."

The fluctuating fortunes of the *grands joueurs* have dominated SBM's development ever since its formation in 1863.

SBM, then known as the Société Anonyme des Bains de Mer et du Cercle des Etrangers, was founded by princely decree when Prince Charles III of Monaco gave Mr François Blanc, the man who had turned the obscure town of Bad Homburg in Bavaria into *the glitzy gambling centre of* Europe, a 50-year licence to run a casino in Monte Carlo.

Before the casino, Monaco had been a small, poverty-stricken village clinging to its cliff on the coastline along from the flourishing Riviera towns of Nice and Cannes. Prince Charles III had seen *how gambling had trans*formed the Bavarian economy. Gambling was then illegal in France, but that law did not *apply to the independent state* of Monaco.

The prince dispatched his private secretary to Bad Homburg to investigate and founded the SBM – euphemistically called a "Sea Bathing Company" so as not to arouse the suspicions of the French authorities – to own and operate a casino in Monte Carlo, together with hotels to house its wealthy patrons.

Monaco's first attempts at casino management were not a success.

For starters, even the most enthusiastic of would-be gamblers must have baulked at the journey to Monaco which involved risking life and limb on a four-hour ride from Nice in a rickety vehicle or an equally unpleasant journey in the Palmaria, a sea tub stuffed with flour and olive oil.

In its first week, the casino attracted *just one* player and he walked out having won FFr2.

Mr François Blanc had more ambitious plans. His *first proj*ect, the Hotel de Paris, opened its doors in 1864 on a scrap of wasteland on the rock opposite the royal palace which was rechristened, in deference to *its princely patron, Mount* Charles, or Monte Carlo.

By the time Mr Blanc died in 1877, there were 35 hotels in *Monte Carlo and his casino* was taking FFr10m a year.

Four years later, his widow, Marie, commissioned Charles Garnier, architect of the opulent Opéra in Paris, to build a brand new casino.

Hotels and gambling have been the base of SBM's business ever since. The SBM of today owns four hotels – the Hermitage, Mirabeau and Monte Carlo Beach, as well as the Hotel de Paris – with interests in gambling, sports facilities and discotheques.

It is an institution in Monaco, being 67 per cent owned by the state, the biggest single employer with a workforce of more than 2,000, and owning one twelfth of the principality's land.

The SBM's financial fortunes have waxed and waned over the years. Its profits declined in the mid-1980s because of losses at the main casino and low occupancy rates in its big hotels, which have historically been seen as loss-leaders to *attract* clients to its casinos.

Its performance improved in the late 1980s when the casino returned to profit. By the 1988-89 financial year, the SBM was able to swallow an accelerated write-off on sports facilities, increased provisions for gambling risks and even an ill-fated investment in Badouin, the failed Paris stockbroker – to make net profits of FFr198m on sales of FFr1.5bn.

By the following year its profits had risen to FFr290m and sales to FFr1.7bn despite a *decline in its hotel interests* where operating profits slipped from FFr30m to FFr22m because of the disrup*tion to tourism caused by the* Gulf war.

By contrast its gambling receipts rose from FFr215 to *FFr284m during the year.*

Mr Biancheri said that, so far, 1991-92 had shown a marked recovery. One indication of the improved climate is the occupancy rates at the hotels, all of which are back to above 60 per cent for 1991-92.

Meanwhile, the SBM is locked into a long-term investment programme to protect its position in an increasingly competitive market.

The SBM is building a 400-room luxury hotel and casino next to the Sporting Club, scheduled to open in three years' time.

But the Hotel de Paris and the Hermitage recently acquired a new rival in the Metropole, complete with four stars, Christofle cutlery, Limoges china and a baby jacuzzi in every bathtub.

The SBM is responding by renovating the rooms at the Hermitage and a *series of* improvements at the Hotel de Paris. Its FFr2m investment in the Louis XV restaurant at the Hotel de Paris has already paid off in terms of three Michelin stars and higher receipts for the Louis XV and its superstar chef, Mr Alain Ducasse.

As for gambling, the new hotel development will include a casino for American games, following the success of the Café de Paris scheme.

Earlier this year, the SBM introduced two new American games – Punto Banco, a derivative of baccarat, and Pago Poker, a form of stud poker – to the main casino.

The SBM's critics claim it should be more adventurous and plough its hefty cash pile into new areas of activity inside and outside Monaco. But Mr Biancheri, possibly still bruised by the memory of the Badouin debacle, brushes aside such comments.

"Our business is in hotels and casinos," he says. "Those are the areas that we know and that we are good at. So we will stick to them."

Alain Ducasse: youngest chef ever to get three Michelin stars

☐ PROFILE: Alain Ducasse

Superchef from a pig farm

WHEN the first guests checked into the Hotel de Paris in the 1860s they paid FFr5 for a set meal starting at 5.30pm on the dot every day.

Today, the hotel's eating arrangements are rather more elaborate. For the past two years the Hotel de Paris has boasted the only three-star restaurant in Monte Carlo and one of the very few along the whole Côte D'Azur, thanks to Mr Alain Ducasse, 34, the superstar chef at the Louis XV.

Before Mr Ducasse, Monaco's culinary credentials were lacklustre at best. Monte Carlo has a proud epicurean history. It is, after all, a place where Escoffier cooked. The Hotel de Paris itself swiftly shed its early air of austerity. By the 1880s it had made its name as a place for resplendent meals for which, as one writer noted, its kitchens consumed 700 kilos of beef, *200 chickens, 150 pieces of* game, 14 sheep, 150 dozen oysters and 1,400 bottles of liquor daily.

But by *the late 1980s,* Monaco's reputation had waned. The local Monégasque dishes – hearty blends of northern Italian and Provencal cooking – do not tend to lend themselves to *haute cuisine.* Most of the principality's restaurants dished up undistinguished French and Italian fare.

When the Hotel de Paris decided to open a new restaurant, it realised that it needed to be a special place. It headhunted a new chef who would be capable of making his – or her – mark in the restaurant world, and found him in Mr Alain Ducasse, then working at La Terrasse along the Riviera coast at Juan les Pins.

Mr Ducasse, the son of a pig farmer in the Les Landes region of south-west France, started cooking at the age of 16, going on to work under such famous French chefs as Mr Michel Guerard and Mr Roger Vergé.

He cites Vergé, Guerard and Robuchon as his main influences. His style of cooking is in the modern tradition of classically prepared, traditional dishes with a Provencal twist, rather than the contortions of *nouvelle cuisine.*

The Hotel de Paris, or *rather* its owner, the Société des Bains de Mer, has ploughed nearly £2m into creating the Louis XV *restaurant for him.*

The restaurant, on the ground floor of the hotel with windows looking onto Monte Carlo's *Place du Casino,* is in the grand 19th-century French style accompanied by a 1,100 sq m state-of-the-art kitchen and the 2,500 wines in *the hotel's* cellars.

Two years ago, the Michelin guide bestowed its coveted three stars on the Louis XV, turning it into one of the élite band of 19 three-star restaurants in France.

Gault Millau, the *crème de la crème* guide which is the bible of France's *bon viveurs,* rated it 19 out of 20 despite describing the décor as exactly how a Hollywood movie studio would have depicted a "big French *restaurant*" in the 1950s.

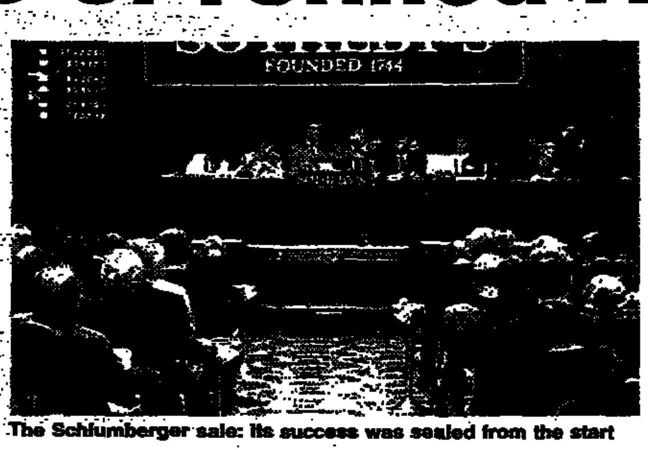
Mr Ducasse, the youngest chef ever to get three Michelin stars, is lauded with all the *laurels of a latter-day culinary* star in France.

He not only presides over a team of 90 at the Louis XV but is a business partner in the restaurant.

His picture is plastered all over the glossy promotional literature. And his name is emblazoned on everything from menus, to the *petit fours* papers and even the cream canopies flapping in the breeze on the Place du Casino facade of the Hotel de Paris.

THE ART MARKET

Image of refined riches


The Schlumberger sale: its success was sealed from the start

ONE by one the dealers trooped through the art deco portals of the Sporting D'Hiver in Monte Carlo to collect their green cards and take their seats for the start of Sotheby's sale of the Schlumberger collection.

"This is a very important sale," said Princess Laure de Beauveau Craon, head of Sotheby's in France. "It is our first real opportunity to test the market in 1992. There are pieces here at every level – from FFr22,000 all the way to a pair of Dubois console tables at FFr8m."

Princess Laure had no real cause for concern. However depressed the art market may have been in recent years, the success of the Schlumberger sale was sealed from the start when the first lot, a Louis XVI canapé, sold for FFr85,000, more than double the price in the catalogue. Even the exquisite – and very expensive – Dubois console tables met their target of FFr8m.

Sotheby's, the London-based auction house, has dominated Monaco's art market ever since its first sale in the principality, the Dédé Rothschild, in 1975. It now holds about 20 sales a year in Monte Carlo and has been joined there by most of its international competitors, including Christie's, its arch-rival.

Monaco owes its role as an auction centre to Mr Peter Wilson, chairman of Sotheby's in the 1960s and 1970s. France houses some of the world's most important art and furniture collections. It is also a leading centre for dealers and collectors. But the French government then, as now, imposed rigorous restrictions on the sale of works of art and on their export out of France

Even today it is virtually impossible for a foreign auction house such as Sotheby's or Christie's to hold a sale in France.

The French market is in the grip of the *Commissaires Priseurs*, an arcane band of individuals who can only acquire their auctioneers' licences from someone retiring from the industry, subject to the justice ministry's approval.

Some of the commissaires have banded together into partnerships. But their ability to finance large international sales is inhibited by additional restrictions preventing outside investors from owning more than 25 per cent of their equity.

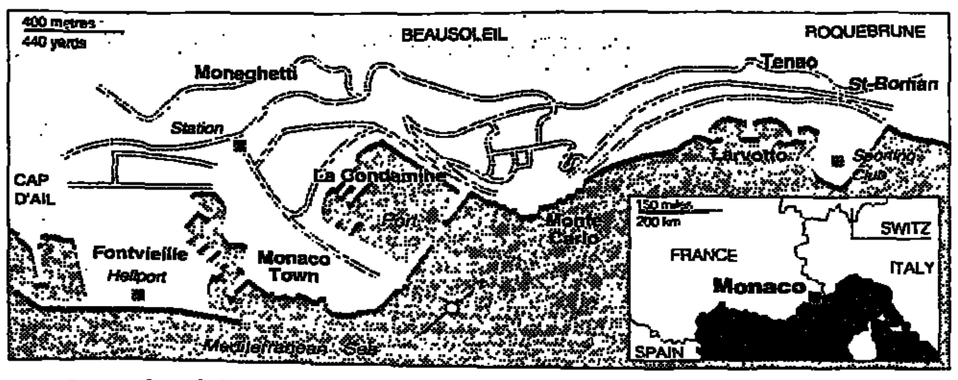
At the same time, the limitations on art exports make it difficult for the international houses, such as Sotheby's and Christie's, from taking pieces out of France for sale in London, Geneva or New York.

The French government is not only able to exercise the usual right of pre-emption by buying any work sold in France at the "hammer" price [the price agreed at the auction], but is entitled to buy anything bound for a foreign auction at the usually much lower minimum reserve price.

This last restriction, as Sotheby's Mr Wilson shrewdly observed, does not apply to pieces sold in Monaco, where the French government must buy at the "hammer price". This means that, although anything sold in the principality may be whisked back to France, at least the auctioneer does not lose out financially. Mr Wilson saw Monaco, or rather Monte Carlo, as a solution to Sotheby's "French problem", acting as a sales centre for French collections and as a local market for buyers in Italy and France.

The Monégasque government was only too happy to oblige. Art auctions were completely compatible with the image of refined riches that Prince Rainier and Princess Grace were so eager to instil in the principality. They would be fun for the residents. They would also provide a new source of custom for the local hotels as the art dealers checked in and out for the Monte Carlo sales.

Monaco is now established as an important international art centre, particularly for sales of French furniture, old master paintings, art deco and *art nouveau*. The big auctions attract professional buyers from all over the world, as well as local residents. However, as Mr Humphrey Burton, head of Christie's in France, noted: "A great deal of business in Monaco is conducted by telephone bids. You don't find as many buyers in Monte Carlo as in larger centres like London or New York."



Over the years Monaco has hosted a number of significant sales. Christie's started in 1985 with its FFr40m Clore sale, selling the furniture collected by Sir Charles Clore, the British retailing magnate. Sotheby's staged its Florence Gould and Claud Cartier sales there.

It has also chosen Monte Carlo for some of its more offbeat auctions such as last autumn's FFr1.6m sale of the collection of Memphis furniture amassed by Mr Karl Lagerfeld, the fashion designer, who lives in the principality.

In the 1980s, Monte Carlo also made a name as a centre for classic car sales. Sotheby's set a world record for cars in the principality in 1990 when it sold a 1962 Ferrari 250 for FFr59m. But the car market has been in the doldrums for the past year or so and neither Sotheby's nor Christie's plans to hold motor auctions in Monaco this year.

By contrast, the core of the Monaco market – French furniture and 19th century fine art – has remained relatively resilient, despite the depressed state of the international art world.

"These are traditional areas of our business which did not attract speculators in the 1980s, so have stayed stable since the market has become more difficult," said Princesse Laure of Sotheby's.

The big cloud hovering over the Monaco market is the prospect of France being forced to reform – and relax – its restrictions on art auctions in line with those of other European Community countries after 1992. As soon as that happens Sotheby's, Christie's and other houses will transfer some of their Monégasque auctions to Paris.

However the auctioneers are convinced that there will still be a role for Monaco. "Clearly it will make sense for us to move some of our French sales to Paris," said Princess Laure. "The dealers are there. Almost all our French customers have one of their homes there. But we will still operate in Monte Carlo. It is a very special place."

Mr Burton of Christie's agreed. "We would be crazy to sacrifice everything we have built up in Monaco on the Parisian altar," he said. "Monte Carlo will always play a part in the international art world. After all, it's fun to do business here."

THE GRIMALDIS

Privacy eludes royal family

WHEN Hello!, the most gushing and garrulous of Britain's gossip magazines, recently polled its readers on whom they considered to be their favourite "celebrity" and "Hello! cover star", the name of Princess Caroline of Monaco came close to the top of every list.

In any other year it would have been entirely predictable that the Chanel-clad Caroline with her glossy good looks and penchant for the Paris fashion shows should have appeared in such a poll. But Hello! had polled its readers little more than a year after the sudden death of her husband, Mr Stefano Casiraghi, in a power boat race.

Princess Caroline had spent that year as a recluse. She had retreated with her children to a tiny village in rural Provence. She had cropped her hair, worn mourning black and, on the very rare occasions when she did appear in public, she had done so bereft of make-up and hidden behind a pair of sunglasses.

In short, she had done everything she could to signal to the world at large – and the *paparazzi* in particular – that, devastated by the death of her husband, she needed peace and privacy.

But privacy is elusive for Monaco's royal family. Princess Caroline and the other Grimaldis have lived their lives in a blaze of publicity and the glare of *paparazzi* flashes. So much so that Caroline has been as hounded by the press in her Provencal retreat as she was when a feted figure at Paris parties and Monte Carlo galas.

It was not always thus. The Grimaldis and their domain, a rocky stretch of Riviera coastline, were dismissed as yet another anachronism of the European aristocracy until April 1956 when Prince Rainier III, Monaco's 33rd sovereign, married Miss Grace Patricia Kelly, the Hitchcock blonde who was one of Hollywood's most stylish movie stars.

More than 1,600 journalists and photographers descended on Monaco for their wedding. They, and their successors, have haunted the Grimaldis ever since.

At first, Prince Rainier and Princess Grace turned the press attention to their – and Monaco's – advantage.

In 1949, when the 26-year-old Rainier took the throne, Monaco was seen, as the writer Somerset Maugham put it, as "a sunny place for shady people", as a glitzy, gambling centre for the sleazier end of the Côte D'Azur sybaritic set.

If the new prince was to secure its future he needed to clean up Monaco's image and to revitalise the economy to stem the flow of emigrés to the US and France.

Rainier did this by turning his principality into the sort of place where the seriously wealthy would want to live and visit. In short, Monaco was restyled in the image of his wife, Princess Grace, with her blend of American affluence and Hollywood glamour.

Her old friends – Frank Sinatra, Cary Grant and Gregory Peck – flocked to see her as she inaugurated hospitals, theatres, flower festivals and charity balls. The European and American press covered it all.

Monaco became a haven for sun-loving taxphobes and middle-aged millionaires. It is, or so says Tatler magazine, "a place where every August you wear your wealth to the Red Cross Ball and for five hours there is more money in diamonds and gold under the sliding roof of Le Sporting than anywhere else on the continent". Monaco's new residents and visitors have transformed the economy, creating a thriving financial centre with $10bn of deposits lodged in its bank vaults and a flourishing tourist industry with employment and business opportunities for the indigenous Monégasques.

Rainier and Grace seemed prepared to accept the glare of press attention as the price to be paid for stability and prosperity. But as their children – Albert and Stephanie, as well as Caroline – grew older, the price became higher and higher.

The Grimaldis live in a world where photographers camp outside their Paris apartments, where journalists hire paragliders to fly over their country home hoping to catch the princesses sunbathing topless, and where the *paparazzi* throw tacks on to roads hoping to stop their cars.

Everything they do – from Prince Albert cocooning on a yacht with the latest in his long line of blondes, to Stephanie hurling obscenities at journalists as she speeds away in her sports car, and Caroline sobbing at her husband's funeral – is splashed all over the gossip pages. There are even small photographic agencies in France and Italy that survive simply by preying on the Monaco royal family.

Over the years the Grimaldis have given the press everything. There have been the tragedies – the dramatic deaths of Grace and Stefano haunted by the curse of the beautiful Flemish girl betrayed by one of Rainier's womanising predecessors who vowed "Never will a Grimaldi find true happiness in marriage". There have been the scandals – the failure of Caroline's first marriage, Albert's cast list of blondes and, of course, Princess Stephanie.


Caroline: cropped her hair and wore mourning black


Stephanie: too adept at filling the empty role of 'bad girl'


Grace: American affluence and Hollywood glamour


Rainier: still haunted by the memory of his wife's death

The youngest of the Grimaldis has been God's gift to the *paparazzi*. Caroline may have had a wild time in her 20s, but she is now cast by the press as the "good girl", the devoted wife and mother who knuckled under to take Grace's place as the first lady of Monaco after her mother's death. Luckily for the gossip columns, her sister, Stephanie, has been only too adept at filling the empty role of "bad girl".

Stephanie has had even more boyfriends than Albert has had blondes. She seldom seems to wear a bikini-top. And she can always be relied upon to reel out of night clubs in the not so early hours of the morning. She has also led a more public life than her siblings, having pursued brief careers as a fashion designer, a model and then recording a pop single.

When her latest perfume, L'Insaisissable [The Unpossessable], came out, glossy magazines were peppered with quotes from her former boyfriends saying "when it comes to being fickle she's a professional" and "men are just toys to her".

There is a serious sub-text to all this. The Grimaldis are absolute monarchs. Prince Rainier not only rules the principality, advised by his counsellors, but his family sets the tone.

Rainier is now in his 70s and, still haunted by the memory of his wife's sudden death, he is said to want to abdicate to clear the way for Albert and spend more time with his grandchildren.

Only he knows whether he will feel able to do so while his son and daughters are still being splashed all over the gossip columns and preyed upon by photographers armed with telephoto lenses.

Place du Casino, Monte Carlo: glitterati's stamping ground

□ OUT ON THE TOWN

Furs, follies and glitterati

KATHERINE MANSFIELD, the 1920s writer, was known for her tart tongue and waspish ways, but when it came to Monte Carlo, she was especially acerbic. "It's real hell," she said, "the cleanest, most polished place I've ever seen."

The cleanliness and polish that so infuriated Ms Mansfield are probably the very attributes that attract Monaco's residents and visitors today. Monaco, with its hefty proportion of policemen per capita and plethora of litter bins, is one of the few places where people can – and do – walk around wearing the furs and jewels they would be too frightened to flaunt in Manhattan or Milan.

Over the years, Monaco has opened a stream of new attractions to entertain its visitors. There is the Musée de l'Oceanographie, a highly-regarded academic centre for marine research; or the "Monte Carlo Story", an English-language film on the principality's history which doubles as a sanitised soap opera of the lives the royal family. And there is also the rusty tug-boat sunk in the harbour last autumn to entertain the voyagers on the new Seabus submarine.

Nearly everywhere you go in Monaco there are views of the luxury yachts and cruisers moored in the harbour and of the sun glistening on the sea. But for most visitors, Monaco polarises between the hills on either side of the harbour – Monaco-Ville to the west, and Monte Carlo to the east. Monaco-Ville is the home of the old town, the *vieille ville*, with its narrow alleyways and the Prince's Palace. The streets are littered with souvenir shops and pizza parlours. But even the clutter of Princess Grace plates and the posters for her daughter, Stephanie's latest perfume, cannot completely disguise the charm of the candy-coloured houses with their curves, cupolas and the wrought-iron twists on their *belle époque* balconies.

The Place de Palais is packed with Italian day-trippers, prancing precariously on the ornamental cannon-balls or snapping up Monaco *matelot* T-shirts from the souvenir stalls. Other visitors, presumably less enthusiastic about devoting an entire day to the vain hope of spotting the wayward Princess Stephanie, or one of her siblings, speeding away from the palace, repair to the Jardins St Antoine that straggle along the cliffs where Guillaume Apollinaire, the poet, once walked each day to seek inspiration.

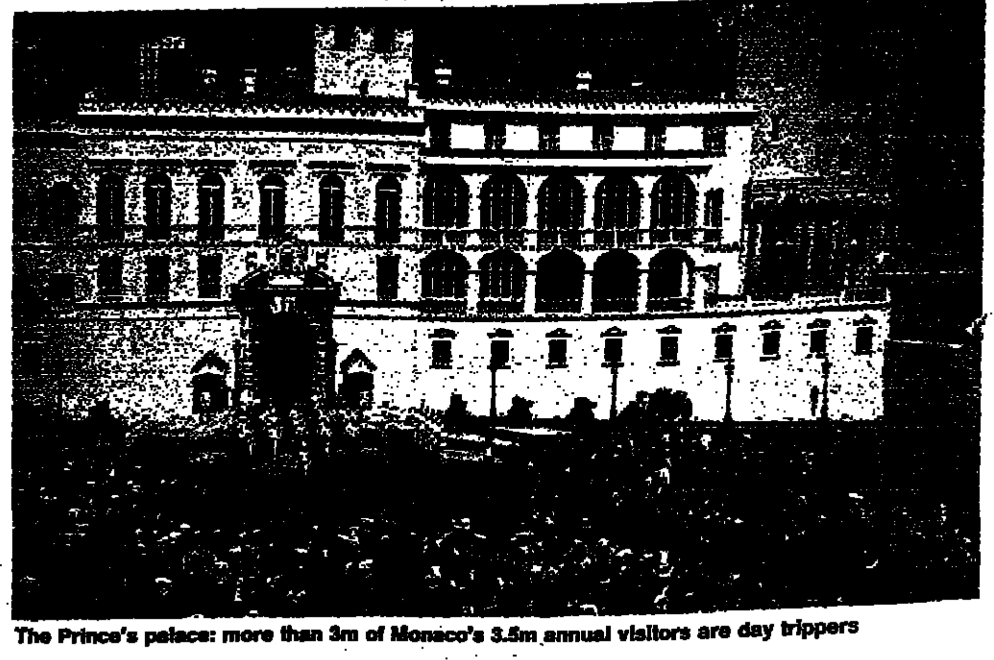
On the opposite side of the harbour, Monte Carlo, named in deference to Prince Charles III, the 19th century monarch who transformed the principality's finances by opening the casino, is the stamping ground for the glitterati.

Here the visitor can join the gaggle of *grandes dames* who turn up day after day – swathed in fur, whatever the weather – to take tea, or something stronger, and hound the waiters in the American Bar of the Hotel de Paris. Or they can saunter around the shops. Cartier, Christian Dior, Chanel, Louis Vuitton, Hermes and Valentino are all a stone's throw away from the Place du Casino. The merchandise is the same as in Milan or Paris, but the shops are quieter and the Monégasque assistants far friendlier than their famously frosty Parisian counterparts.

Then there is the casino, the folly built by Charles Garnier, architect of the Paris Opéra, with its heart-shaped stucco mouldings and sensational views out to sea.

This is the place where Mata Hari shot a German spy, where an Englishman, Charles Deville Wells, won FFr10,000 one night to become "the man who broke the bank at Monte Carlo", and where Richard Burton gave Elizabeth Taylor (yet another) knuckle duster of a diamond ring.

Nowadays there are slot machines in the casino's foyer and the Salle Americaine opens every afternoon for games of craps or roulette at minimum FFr25 bets. The serious players, the *grands joueurs* who will risk winning or losing tens of thousands of francs at a sitting, arrive later in the evening – long after the casual visitors to the "clean and polished" principality have disappeared.



The Prince's palace: more than 3m of Monaco's 3.5m annual visitors are day trippers

□ TOURISM

A pivotal role

GONE are the days when the Grand Dukes of Russia would while away the summer months in Monte Carlo, commandeering whole floors of the Hotel de Paris where they spent their days scoffing salmon pojardy and blinis doused down with magnums of the finest champagne.

The Monte Carlo of today still plays host to Europe's old and new wealth when they descend on Monaco for the Bal du Rose in March, the Tennis Open in April or the Grand Prix every May. It is for these visitors that most of Monte Carlo's hotels are still in the luxury category and that the Place du Casino is littered with the glossy shopfronts of Chanel and Cartier.

But the bulk of the principality's 3.5m annual visitors have more mundane tastes. More than 3m of them are day trippers. These tourists have their own attractions. The Société des Bains de Mers (SBM), which owns the opulent Hotel de Paris and the Monte Carlo casino, has renovated the Café de Paris with its *al fresco* tables and ranks of gaming machines for them. Meanwhile the Société Monégasque de Tourisme Sous-Marine has sunk an aged tug-boat and a replica Roman galley to entertain the passengers on its new Seabus submarine during their 45-minute sub-aquatic tour of the harbour among the seaweed, sponges and sea anemones.

Tourism is still a pivotal part of Monaco's economy, representing roughly 25 per cent of GDP. Monaco, like other tourist centres, was affected last year by the impact of the Gulf war on international travel from the US and Japan in the early months of 1991. The number of visitors staying for at least one night fell by 20 per cent in the first half of 1991 but rallied in the second half to produce an overall reduction of just 2 per cent to 239,043 for the full year.

The market has since recovered. "Tourism started to pick up last August and since then demand has been very healthy," said Mr Gilles Noghes, managing director of the Monaco Tourism Board. "So far everything suggests that 1992 should be a very satisfactory year."

Although day trippers, mainly from nearby France and Italy, now represent the majority of Monaco's visitors, the 240,000 or so people who stay overnight in the principality each year are much more important in terms of revenue.

Until relatively recently, Monaco's tourism market was dominated by leisure travellers rather than those on business. The principality's social calendar – from the charity balls to a new Jazz Festival, the first of which will be held this June – aims at this market.

But in recent years business travel has become increasingly important, providing 30 per cent of the principality's overnight visitors last year compared with 10 per cent in the early 1970s. Business travel is seen as a big growth market for the future. Monaco is already established as a centre for management conferences – such as the TV Festival earlier this year – but the government is now investing heavily in the construction of new exhibition facilities, the Centre Culturel des Expositions, scheduled to open on the Avenue Princess Grace in three years' time.

This project will be accompanied by an extension of Monaco's hotel facilities. Two new hotels have already opened. The luxury Metropole, with its marble floors and tapestry-draped walls, opened two years ago on the Avenue de la Madonne near Place du Casino as a joint venture between Mr Nabil Boustany, a Lebanese businessman, and the Conrad International arm of the Hilton group. At about the same time the Abela Hotel also opened as a 200-room complex near the Fontvieille industrial development. In three years' time, yet another new hotel will come on stream when the SBM completes its new 400-room luxury hotel and casino complex near the Sporting Club.

Mr Noghes is convinced that the market can withstand this increase in capacity. "This is an expanding market," he said. "The Metropole and the Abela are both doing well as are the older hotels. The fact of the matter is that at certain times of the year Monaco still does not have enough hotel rooms and it will need even more in the future when the new exhibition centre opens."

The projected growth in business travel also ought to help alleviate the problem of the seasonality of Monaco's appeal. Conferences and exhibitions can, after all, be held at the times when the social calendar is quietest and leisure tourism is quietest. The principality's sunny climate means that Monaco is still attractive to visitors even at those quieter times of the year. The SBM plans to invest in new services for business visitors in its luxury hotels, such as faxes in rooms, to meet the needs of this market.

However, as the local tourist industry is well aware, it would be counter-productive to boost business travel to such an extent that Monaco was relegated to the ranks of the year-round conference centres. Much of its appeal, even to people visiting the principality for exhibitions, conferences or business meetings is its leisurely ambience.

The tourist board is also investing in the leisure travel sector. It recently introduced a "Passport to Monte Carlo" package of weekend breaks intended to fill the big hotels during off-season weekends after the weekday conference visitors have gone home.

It is also seeking to develop new national markets. Most of Monaco's visitors come from Italy (30 per cent) and France (19 per cent) followed by the US (12 per cent) where Monaco still has a special cachet thanks largely to the legacy of Princess Grace. The tourist board now has marketing and information offices in Japan and the US, as well as in Europe. Last year it opened its first office in Madrid to try to develop the Spanish market.

Mr Raoul Biancheri, executive chairman of the SBM, is convinced that the southern Mediterranean will be increasingly important as a source of custom in the future. "This region must be a key growth market for us," he said.

But there is one group of tourists that Monaco will probably never attract. The tone of the principality may be a touch lower than in the days when the Russian Grand Dukes drank the cellars dry at the Hotel de Paris, but Monte Carlo is still well beyond the means of the budget traveller. So much so that the "Let's Go Budget Guide to France" advises its impecunious readers to eschew the hotels and hostelries of Monaco in favour of "exile in Beau Soleil" just across the French border "where hotels are slightly cheaper".